

# FINANCIAL TIMES

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Effects of price cuts  
on the world's  
oil-producers, P 3

## NEWS SUMMARY

### GENERAL

#### Shamir in U.S. talks on Lebanon

Mr Yitzhak Shamir, the Israeli Foreign Minister, will hold top-level talks with the Reagan Administration in Washington at the weekend, amid increasing signs that Israel is softening its previous hard stance on withdrawing its 30,000 troops from Lebanon, writes Reginald Dale in Washington.

Israel was reported yesterday to be backing away from two of its main demands in the long-running force withdrawal negotiations with the Lebanese Government, apparently under U.S. pressure.

These were its insistence on keeping a significant body of troops in monitoring stations in southern Lebanon to protect its northern frontier, and its demand for a wide-ranging agreement "normalising" relations with the Lebanese Government.

In Israel Mr Shamir was reported to have proposed that U.S. peace-keeping forces could help to patrol southern Lebanon to protect the border - an idea hinted at by President Ronald Reagan two weeks ago.

#### U.S. initiative call

Nato Governments, led by Britain and West Germany, want the U.S. to launch a new initiative on limiting medium-range missiles in Europe before the Geneva talks adjourn on March 28, Page 4

#### Soviet Baltic offer

Soviet General Nikolai Tjervov said on Swedish television that the Soviet Union would be ready to withdraw its six nuclear submarines from the Baltic Sea if a Nordic nuclear weapon-free zone was established.

#### Chinese missile view

China attacked a Soviet proposal to divert some SS-20 missiles to the Far East and said the weapons should be destroyed, Page 3

#### Detainee hanged

Tembuyise Mndawe, a black man detained on terrorism charges, was found dead in a police cell at Nelspruit, Transvaal. A police commissioner said he apparently hanged himself.

#### Salvador aid terms

U.S. Congress leaders of both parties told President Ronald Reagan that approval of new U.S. aid to El Salvador must be dependent on human rights reforms and fair elections.

#### Argentina says No

Argentina will not take part in the annual naval exercise with the U.S. and South American navies because of U.S. support for Britain in the Falklands conflict.

#### Marseilles explosion

Two men were killed in Marseilles when their car blew up before what police believe was an intended attack on a synagogue. Later the local branch of Bank Leumi le-Israel was evacuated after an anonymous bomb threat.

#### Turkish mine blast

At least 79 miners were killed in Turkey's Zonguldak province but during the Black Sea when a methane gas explosion caused the roof of the pit to collapse.

#### Briefly...

Sir William Walton, 80, British composer, died in Ischia, Italy. Obituary, Page 13.  
Greek call for return of Elgin marbles will be discussed by Unesco committee in April.  
Drought has killed nearly 100 in Ethiopia's Gondar region.

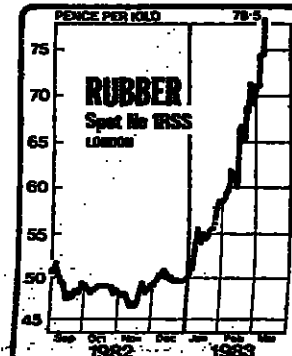
### BUSINESS

#### Pratt & Whitney air deal expected

PRATT & WHITNEY of the U.S. expects to sign an agreement this week covering a major new five-nation, seven-company effort to develop a commercial jet engine for a proposed 150-seat aircraft. Other companies involved are Rolls Royce of the UK, Motoren und Turbinen (West Germany), Fiat (Italy) and three companies forming Japanese Aero Engines Corporation.

ARGENTINA said foreign creditors were not facing a major default following the decision to defer payments due this month on about \$1.4bn of short-term foreign debts. Cuba has signed an agreement with Western creditors nations pledging tough action to improve its balance of payments, Page 4

STERLING fell to record lows, losing 1.1c to \$1.595, and closing at DM 3.495 (DM 3.493), FFf 10.545 (FFf 10.535), Swf 3.055 (Swf 3.045), and Y337.75 (Y335.5). Its Bank of England trade-weighted index, struck before the close, was unchanged at 79.6. In New York it closed even lower, at \$1.49525, Page 24



DOLLAR was firmer at DM 2.4015 (DM 2.3991), FFf 6.8275 (FFf 6.827), Swf 2.092 (Swf 2.045), and Y232.3 (Y236). Its trade weighting rose from 119.5 to 121, Page 34

GOLD closed unchanged at \$215.1 in London. In Frankfurt it ended \$2 down at \$418.5, and in Zurich it was unchanged at \$419.5, Page 31

RUBBER prices reached their highest for more than three years in London, with the RSS No 1 spot price up to 78.5p (\$1.16) a kilo and the May futures quotation \$27.5 up at \$781 (\$117.9) a tonne, Page 31

LONDON: FT Industrial Ordinary Index eased 1.5 to 664.6. Government Securities were marked down almost 0.5 per cent on average, Page 27. FT Share Information Service, Pages 32, 33

WALL STREET: Dow Jones Index closed down 21.96 at 1118.78, Page 27. Share Listings, Page 28-30

TOKYO: Nikkei Dow Index gained 14.17 to close at 8926.99, but the Stock Exchange Index slipped 0.75 to 591.72, Pages 27, 30

HONG KONG: Hang Seng Index edged up 0.99 to 1014.84, Pages 27, 30

AUSTRALIAN all-share index improved by 13.7 to 527.1, Pages 27, 30

FRANKFURT: Commerzbank index fell 7.2 to 371.2, Pages 27, 30

ITT, the U.S. telecommunications conglomerate, lifted net earnings last year from \$677m to \$703m, but revenues slipped from \$23.2bn to \$21.9bn.

NEW ZEALAND followed Australia's 10 per cent devaluation with a 6 per cent devaluation. Papua-New Guinea made a 5.5 per cent cut. Deficit shock for Hawke, Page 3

The Financial Times regrets that, due to a satellite failure from New York yesterday's edition carried greatly reduced Wall Street prices. In consequence, some aspects of the issue were not as planned. Our normal service is resumed today.

## Belgium lifts interest rates to support franc

### \$ strong as strains grow within EMS

BY JEREMY STONE IN LONDON

MARKET PRESSURE for a realignment of the European Monetary System intensified yesterday. World currency markets were also hit by signs of higher dollar interest rates and renewed fears of a slide in the oil price.

Central bank support failed to prevent the Belgian franc from reaching its floor price against the D-Mark. The Belgian National Bank subsequently raised its main interest rates by 2½ points, lifting the discount rate to 14 per cent.

The Bank of France prolonged its squeeze on Eurofranc interest rates, which remained above 100 per cent for periods of a week or less.

This policy was at least successful in keeping the franc clear of its EMS floor against the D-Mark, which had been breached for a few minutes on Monday. But dealers still expected that the French currency would come under fresh pressure towards the weekend.

Other EMS members also suffered from the D-Mark's strength in the wake of Chancellor Helmut Kohl's election victory on Sunday. The Danish krone was close to its EMS floor of DM 0.27715, while the lira reached a record low against the D-Mark to close in Rome yesterday at L582. Since last Friday, the lira has lost between 1.3 and 2.5 per cent against all EMS currencies.

Mr Paul Volcker, chairman of the Federal Reserve Board, meanwhile caused an already strong dollar to rise sharply late in European trading.

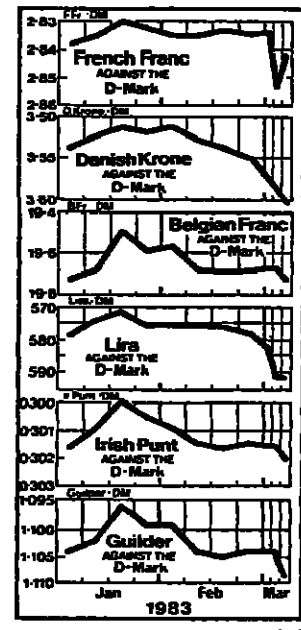
When he told a congressional committee that inflation fears would prevent interest rates in the U.S. from falling as much as had been expected, Eurodollar rates hardened, and the Fed funds rate was marginally higher early in New York.

Pessimistic reports about progress at the meeting of oil ministers contributed to a weaker trend in sterling, which closed in London at its record low against the German currency of DM 3.8050. At the same time it lost 1.7 cents to close against the dollar at \$1.5005.

Early trading in the U.S. markets further eroded the value of sterling, as speculators on the International Monetary Market in Chicago apparently used their pounds to buy dollar positions. Within an hour of the London close, sterling had fallen in New York by almost another half-cent to \$1.4980. It closed still lower at \$1.49525.

Giles Merritt writes from Brussels: The sharp rise in key Belgian interest rates is understood to reflect the Belgian central bank's concern that it would otherwise be forced to continue its present heavy level of support-buying of the Belgian franc until the next EMS realignment.

Belgian foreign-exchange dealers do not expect any realignment until after next Sunday's second round of voting in the French municipal elections. Last week alone, the central bank was reported to have used some BFF 10bn to BFF 15bn - from



London currency movements within EMS range

reserves of around BFF 80bn - to support the franc.

The raising of Belgian interest rates marks a turnaround in the general trend that has followed the franc's devaluation in February 1982 by 8.5 per cent. Since then, Belgium was able to keep step with the general international slackening in interest rates with a series of small reductions, the last of which was posted in November last year.

James Buxton writes from Rome: The decline in the value of the lira against other EMS currencies mainly reflects the major readjustment taking place in the parties of both the D-Mark and the French franc.

The Italian currency is still close to the central rate within the EMS against most currencies.

It is possible, however, that, as expected, there is shortly a realignment in the central parities of the EMS, the lira may be marginally involved.

Australia's devaluation, Page 3; Market reports, Page 27; Currencies, Page 34

### Monetary growth too high, says Volcker

By Anatole Kaletsky in Washington

MR PAUL VOLCKER, chairman of the Federal Reserve Board, indicated yesterday that he was becoming increasingly concerned again about the growth of the U.S. money supply, after a period in which the Fed has taken a relaxed view of monetary growth because of distortions in the figures and the depressed state of the domestic and world economies.

Testifying before the House of Representatives Budget Committee, Mr Volcker said that the M-1 narrow monetary aggregate had been "rising higher than is compatible" with continuing progress against inflation in the long term. He warned that this is "something we have to keep our eye on very closely" and he suggested that the Fed might try to get M-1 growth back within its target range over the next six months.

The M-1 target announced by Mr Volcker last month allows for growth of between 4 and 8 per cent this year. Over the past three months, M-1 has been growing at an annual rate of 13.3 per cent. But much of this growth has been due to statistical distortions and Mr Volcker had repeatedly emphasised in the past that the M-1 figures would be given relatively little weight.

In the past few weeks, however, Mr Volcker has increasingly stressed monetary targets in an effort to reassure investors who are worried that broader monetary aggregates, as well as M-1, are growing more rapidly than expected.

Standing government policy is that commercial and political relations with the Soviet Union are in

Continued on Page 16

## British miners appear to reject strike

BY JOHN LLOYD, LABOUR EDITOR, IN LONDON

MINEWORKERS in the UK appeared last night to have decisively rejected national strike action against pit closures, and against giving support to the South Wales mineworkers who are in the second week of a strike in protest at the closure of a colliery there.

Some Coal Board officials believe that the result, to be announced tomorrow, may show a greater majority against strike action than the 61 per cent rejection of industrial action recorded in a ballot which linked pay and closures.

The "weathervane" area of Derbyshire was forecast to have voted by 62 or 63 per cent against, compared with 60 per cent in November.

Mr Peter Heathfield, a North Derbyshire miners' union official, conceded last night that the vote had been lost, though he estimated that the margin was the same as in the last ballot.

This result, if confirmed when the votes are announced at the meeting of National Union of Mineworkers (NUM) executive tomorrow, is a heavy blow to Mr Arthur Scargill, the NUM president, to the dominant left leadership and to the South Wales miners, who sent pickets to collieries up and down the country in an attempt to get a strike vote.

Mr Scargill warned last week that a rejection of the executive's call for a strike would mean that the union's policy to fight every closure, laid down at its conference last summer, would carry no authority and that "the green light will have been given to close pits."

The miners have voted after a clear statement on Monday from Mr Norman Siddall, the National Coal Board chairman, that the rate of closures must speed up, and with the possible appointment to the NCB chair of Mr Ian MacGregor, the tough chairman of the British Steel Corporation, hanging over them.

Evidence from the coalfields yesterday pointed to a recognition by miners that high coal stocks made the timing of a strike risky, together with a tendency towards seeing the issue as overblown.

The reaction within the union's executive is unpredictable but could be bitter. Mr Emyln Williams, the South Wales miners' president, said last night that "the unity of the union is involved" in the ballot.

Mr Des Duffield, the vice-president said that if the vote had gone against strike action "it will be a very, very sad day for the British miners."

UK coal investment, Page 6

Effects on oil-producers, Page 3

Continued on Page 16

Effects on oil-producers, Page 3

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Effects on oil-producers, Page 3

## Komatsu wins Siberian pipeline order

BY JUREK MARTIN IN TOKYO

KOMATSU, the leading Japanese manufacturer of construction equipment, has won a ¥30bn (\$21bn) order to supply 500 pipelayers to the Siberian natural gas pipeline project.

The contract, signed in Moscow two weeks ago by Mr Kyochi Kawai, Komatsu's chairman, is the first big Soviet order for Japanese plant machinery since the U.S. sanctions against the Siberian venture were formally ended last November. Major Japanese companies had largely respected the Japanese Government's support for the U.S. action.

Nevertheless, Komatsu confirmed yesterday that it would not seek Japanese Government financing to underwrite the Siberian contract. The company acknowledged that this reflected the poor state of political relations between Japan and the Soviet Union.

Although Komatsu refused to discuss details, a likely alternative would be external financing through Euroyen (yen deposits placed in banks outside Japan). Nishio-Iwai, C. Itoh and Nishimura, three Japanese trading companies with which Komatsu enjoys a close relationship, have used

this method in the past to circumvent government proscriptions on official financing while sanctions were in effect - though for smaller deals than that forged by Komatsu.

Before President Ronald Reagan's imposition of sanctions in 1981, which were supported by the Japanese Government, Komatsu had concluded and later shipped a substantial order of pipelaying equipment for Siberia.

The Japanese company kept in touch with the Soviet Union during the sanctions, and provisionally agreed last November to sell 120 pipelayers. Mr Kawai was able to

sell down on order for an additional 380 while in Moscow two weeks ago with the large Japanese trade mission, comprising more than 250 senior corporate officials.

The mission had been warned by the Japanese Foreign Ministry before leaving Tokyo that government export finance would not be automatically available to facilitate any new contracts signed with the Soviet Union.

Standing government policy is that commercial and political relations with the Soviet Union are in

Continued on Page 16

## De Beers regains Zaire gem contract

BY KENNETH MARSTON, MINING EDITOR

SOUTH AFRICA'S De Beers, the diamond giant headed by Mr Harry Oppenheimer, has regained the contract to buy and market the diamond output of Zaire's state-owned Miba mine.

The move marks an end to fears within De Beers' Central Selling Organisation, which markets more than 80 per cent of world rough (uncut) diamond production, that other countries might follow Zaire's May 1981 decision to break away from the South African diamond cartel and sell independently.

This would have weakened the CSO's grip on the market and its ability to maintain price stability by regulating supplies - an endeavour which has forced it to finance a new \$2bn stockpile during the current recession in demand.

In the event, the only other country to break away was Guinea, and that only for the relatively low production planned to start next year in a joint venture with Australia's Bridge Oil.

The new agreement between Zaire and De Beers will run for two years and is then expected to continue on a roll-forward basis. It

gives the CSO the exclusive right to buy all Miba's production of industrial and gem diamonds, currently running at about 6m carats a year, worth around \$45m. This is about 2 per cent of the total handled by the CSO on behalf of De Beers and other world diamond producers.

Not all the Zaire diamond production has come back into the CSO net. It is believed that the country also produces diamonds to about the value of Miba's output from alluvial diggings, both legal and illicit. The illicit stones are mostly smuggled out of the country.

In order to combat the smuggling, with its loss of revenue and foreign exchange to the country, Zaire recently allowed diamond dealers to set up independent buying offices.

Importantly, these offices were allowed to pay the diamond sellers a better exchange rate than the ruling official level for the diamonds, which are priced in U.S. dollars.

Industrial Diamond Company, the London business which, with the Caddi and Glasol companies of Antwerp, had been handling the Miba mine's output, will thus now have to concentrate on this market. Background, Page 26

## Commodore to set up UK computer plant

By Jason Crisp in London

COMMODORE, one of the leading U.S. personal computer companies, is to set up a £20m (\$30m) facility to make home computers in the UK steel closure town of Corby, Northamptonshire. This should create 250 new jobs by the end of 1984.

Sharp, the Japanese consumer electronics company, is also looking at the possibility of manufacturing in the UK. It is looking at a number of European sites where it might establish a major plant to make VCRs.

Production of home computers will be transferred from Commodore's Brunswick, West Germany, plant to the UK. The Corby plant will become the manufacturing and distribution centre for Europe.

Commodore is one of the three leading U.S. personal computer companies with Apple and Tandy (Radio Shack). However, Commodore has been much more successful in Europe than in the U.S. Net sales in the six months to December 31, 1982, were \$280m compared with \$142m in the same period in 1981.

IBM's new personal computer, Page 17; Sharp's European search, Page 11

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## EUROPEAN NEWS

## Dutch Premier faces race against time in EEC jobless black spot

BY WALTER ELLIS IN AMSTERDAM

JUST AS in Britain the figure of 1m unemployed is now considered a suitable subject for nostalgia, so the 1981 average of 365,000 people out of work in the Netherlands today seems hopelessly remote to the Dutch.

In January the figure had soared to a seasonally adjusted 744,500 and it is probably that at least another 100,000 will have joined the dole queues by the end of the year.

The more pessimistic experts forecast a jobless total of 1m within the lifetime of the present Government, which would almost certainly make the Netherlands, in percentage terms, the worst unemployment blackspot in the EEC.

Depending on what criterion is chosen, between 14.9 and 17 per cent of those seeking employment were left on the shelf in January.

The Organisation for Economic Co-operation and Development (OECD) acknowledges the gravity of the situation in its latest survey on the Netherlands.

The survey, which says that the country has moved by any

standards from being a "low" to a "high" unemployment country, observes that "the high standards, which have been so characteristic of the Netherlands, are being jeopardised by the need to support a rapidly growing share of people without work."

Like the present Dutch Government, the OECD is not in favour of "artificial" job-creation. Instead, it advocates a reduction in public sector spending, cuts in social welfare benefits and an increase in investment.

Such actions, it argues, "would help importantly to improve the functioning of the economy (now deep in recession) and thus restore higher levels of employment in the medium term." Many Dutch economists agree, for the jobless, it is another story.

An additional problem for the Dutch is that the country's labour force is growing by nearly 1.5 per cent annually as the result of a baby boom which persisted until the mid-1960s.

One way or another, then,

Until a few years ago, the Netherlands saw itself as leading the vanguard of economic and social enlightenment. Today it is confronted by intractable problems it had sought to banish by hard work, education and investment. Millions of workers are profoundly disillusioned.

Right: Mr de Koning, Minister for Social Welfare



The Netherlands saw itself as leading the vanguard of economic and social enlightenment. Today, it is confronted by the same intractable problems it had sought to banish by hard work, education and investment.

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ment. Millions of ordinary workers are profoundly disillusioned.

Mr Ruud Lubbers, Prime Minister of the centre-right governing coalition, is, of course, only too well aware of the scale of the problem.

Like Mrs Margaret Thatcher in the UK, however, he still sees a reduction in the level of public spending and a balancing of the budget as the first priority of his administration. Much of Mr Lubbers' initial energy—and that of his Christian Democrat and Liberal colleagues—has gone into the slashing of departmental and local authority spending programmes, and a toughening of the country's tax regime.

If he succeeds in his main goal of reducing state borrowing to 7.4 per cent of national income by 1986 (compared with a possible 11.9 per cent this year), Mr Lubbers might well reap long-term electoral dividends.

But if the result of his efforts is merely to increase the number out of work while at the same time cutting back on their

social security benefits, his chances of a second term must be thought remote.

Leading the Government's fight against the dole queues is Mr Jan de Koning, Minister for Social Welfare and Employment. Mr de Koning has proposed three basic changes to normal working practices:

- The substitution of a minimum hourly wage for a minimum weekly wage.
- Shorter working weeks.
- Job-sharing and early retirement.

Mr de Koning argues that the introduction of a minimum hourly wage would enable workers to maintain their basic rates of pay, while permitting employers to cut back on wage costs.

The suggestion is, of course, intimately linked to a reduced working week, which the Government is seeking to encourage, but which the trade unions will approve only if it is accompanied by an undertaking from those companies

concerned to take on extra workers.

The third proposal, for shared employment and early retirement, has already found acceptance in a number of recent agreements between the unions and major companies, such as Hoogovens, the steel group, and Vroom and Dreesman, the retail stores operator.

Union leaders are concerned, however, that they are giving ground to employers at a time when the Government is pursuing a deflationary economic policy and are calling for a policy of industrial investment and job creation in growth areas.

Mr Lubbers, for his part, admits that the Government did not have a positive policy on employment. The problem was "the key" priority in cabinet, he said, but Mr de Koning's proposal, plus, perhaps, a work experience scheme for young people were all that could properly be attempted at present.

Everything else depended on sound economic management and a reduction in the public sector deficit.

To help it achieve the reduction, the Government has this year pegged the salaries of the nation's 700,000 civil servants at 1982 levels and is struggling to loosen the ties that usually link wages to rises in the cost of living. In some instances, union leaders have accepted a suspension of their members' right to a wage rise in return for shorter working days, but they have so far proved extremely reluctant to elevate private deals into public principles.

One glimmer of hope for Mr Lubbers could be contained in the help given to the exchanger by reduced Dutch interest rates.

Mr Herman Ruding, the Finance Minister, told Parliament last week that interest repayments on state borrowing this year would come to only £1 21.5bn (£5.3bn) if rates stuck at the prevailing 7.5 per cent.

Last autumn, with the rate at 10 per cent, it was feared that the burden would be £1 25.5bn. At least this may give the Government some leeway.

## Iran seeks military use of satellite

BY DAVID MARSH IN PARIS

IRAN is exploring the possibility of using for military intelligence purposes a French earth observation satellite system due to be started at the end of next year.

In a bid to make preliminary soundings about the project, which would be highly controversial, Iranian officials recently visited a French aerospace company.

They asked about converting U.S.-delivered communications equipment to take data from the first French Spot satellite, due to be launched at the end of 1984.

Tehran, whose diplomatic relations with Paris have sunk to a low ebb because of French support for Iraq in the Gulf war, is believed to

be interested in using the Spot system for military surveillance in a key strategic area covering both Iraq and the Soviet Union.

Iran has a ground station delivered by the U.S. during the time of the Shah which is capable of receiving signals from the Landsat observation satellites run by the U.S. space agency Nasa.

The ground station has been out of action for some years but, according to the preliminary contacts, Iran would like France to convert it to receive signals from Spot.

Spot Image, the Toulouse-based company set up to commercialise the system, said Tehran has had no contact yet with Spot itself.

The spokesman pointed out that Spot was a purely civilian system planned to be used to help foreign governments and private companies in like crop management.

This implies that the French would reject any request from Iran to buy data from the system if there were any question of it being used for military purposes.

The affair highlights the increasingly blurred distinction between use of observation satellites for commercial and military purposes.

The United Nations has been agonising about finding stricter rules to define such activities. With the number of observation satellites—most of which are run by the U.S.

and Soviet Union—likely to rise ever faster, governments are becoming increasingly worried about the "spying" of satellites operated by rival neighbouring countries.

The Spot system is one of the commercial uses of space being promoted by the French space agency CNES. Spot satellites will contain sensors, which will pick out objects as little as 10 metres across.

The most sensitive sensor on board the latest Landsat craft has a resolution, by contrast, of 30 metres.

Spot Image plans to have ground stations operating in Bangladesh, Brazil, Argentina and Thailand.

## Bonn talks on migrant tax

By Leslie Collett in Berlin

WEST GERMANY says it is having "intensive talks" with Romania to urge it to revoke a new tax on emigrants, which is being applied to ethnic Germans in Romania, who want to leave for West Germany.

The Bonn government said previously that Romanian-West German relations would be "strained" if the tax were levied.

The U.S. announced on Friday that it would downgrade Romania of its most favoured nation trade status on June 30, if it does not revoke the tax on emigration, which also applies to Romanians seeking to leave for Israel and the U.S.

Romania has called the U.S. measure a violation of international law.

## French officials in growing debate on money supply

BY DAVID HOUSEGO IN PARIS

THE FRENCH Government has expressed satisfaction that the growth of the money supply last year was held to 12 per cent but there is a growing debate within the administration on the significance of the figures.

Announcing the provisional money supply figures for the year, the Ministry of Economy said in a communiqué at the end of last week that the 12 per cent figure was within the Government's target range of 12.5-13.5 per cent growth for the year.

Monetary policy, the Ministry said, had thus been in line with the measures taken by the Government to combat inflation and which had reduced the level to below 10 per cent last year.

In fact as officials point out, the overall growth in the money supply last year contained two sharply contradictory movements.

There was an explosive growth of domestic credit, reflecting the sharply increased financing by the banks of industry's cash requirements, and the growth in the Government's net borrowing from the banking sector.

On the latest International Monetary Fund figures, total domestic credit extended by the banking sector was 17 per cent higher in September than a year before.

It was thus well above the 4.5-7 per cent credit ceiling set for most types of lending under the French "encadrement" system and so exacerbating inflationary pressures in the economy.

The rate of domestic credit expansion was in fact higher still in the first half of the year and slowed in the second.

The contractionary force on the money supply was the sharp drop in foreign exchange reserves mainly because of the Bank of France's defence of the franc.

Because the crude money supply figures have been losing much of their significance, some officials within the Treasury have advocated that the Government should use the IMF concept of "domestic credit expansion" (DCE) as a tool of monetary policy.

The IMF figures for France are calculated on the basis of French statistics, though no French administration has used the DCE concept.

The Socialist Government feels that this would give too much weight to monetary policy which it sees as only a back-up weapon in its anti-inflation policy.

The Government, however, is giving more consideration to introducing the British concept of public sector borrowing requirements (PSBR)—though with a title that would distance it from Thatcher-style policies.

The aim of such a move—still under discussion at official level—would be to give the Government greater control over the management of budget deficits, while alerting public opinion to their size and the economic risk they carry.

France's PSBR this year would be about FF 220bn (\$32.2bn) or far above the figure most quoted by the government of a budget deficit of FF 120bn—equivalent to 5 per cent of gross national product.

In broad terms a French PSBR would include the budget deficit, the financing requirements of the public sector monopoly corporation, the social security deficit and the deficits of local authorities.



Herr Strauss... will he leave Bavaria for Bonn?

## Strauss set for battle over shape of coalition

By James Buchanan in Bonn

CHANCELLOR Helmut Kohl and Herr Hans-Dietrich Genscher, the chairman of the liberal Free Democrat Party, hold their seats in private meetings today to discuss the shape of the coalition government triumphantly confirmed in power at Sunday's election.

The meeting takes place amid sporadic fire from Bavaria, suggesting that the Christian Social Union and its 6-year-old leader, Herr Franz-Josef Strauss, are attempting to improve their position in the coalition at the expense of the FDP. The liberals emerged from Sunday's election with 15 fewer seats in the Bundestag. Formal negotiations will begin next week after the state election in Schleswig-Holstein.

Informed opinion in Bonn is sceptical that Herr Strauss will leave his job as prime minister of Bavaria, let alone as Minister of the Interior. Herr Genscher as Foreign Minister or take over the Finance Ministry, a portfolio he held with distinction in the 1960s. Officials of both CSU and FDP yesterday privately admitted that they "could not conceive of Herr Strauss coming to Bonn."

While nobody denies Herr Strauss' ambition members of all three government parties made the following points:

- While the CSU achieved an extra seat, Herr Kohl's Christian Democrats gained 17 more than at the last election in 1980 and are well shielded against any charges from Strauss that the south is making the running for the "union" parties.

- Herr Kohl is said personally to want Herr Genscher as Foreign Minister. Herr Kohl seems set to insist on keeping the office for their party chairman. Since the election, the Chancellor has been saying that his intention was the "new" not simply the CSU—and received Sunday's clear mandate.

- Herr Gerhard Stoltenberg, the incumbent CDU Finance Minister from Schleswig-Holstein, is widely regarded as one of the most able ministers and scored a resounding victory in his own constituency on Sunday. In distributing patronage within the union, Herr Kohl must look not only to the CSU but to the CDU regions and will think carefully before taking the ministry out of northern hands, especially as the southern states contributed well to Sunday's victory.

With the cabinet not expected to be sworn in until the last day of the month, Bonn observers are expecting intense manoeuvring within the coalition and are aware that the FDP will have to give ground to reflect its diminished strength. The liberals may have to give up one of their four portfolios—although not necessarily the CSU—and surrender on some cherished policies.

• Herr Hans-Jochen Vogel, the Social Democrat chancellor candidate at last Sunday's general election, was yesterday unanimously elected party treasurer.

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## Brussels admits defeat on butter sales to Moscow

BY JOHN WYLES

THE EUROPEAN Commission has conceded defeat in its efforts to impose rigid controls on subsidised butter exports to the Soviet Union. In future, it will apply its normal system of export rebates, subject to some measures to control export quantities.

The change has been forced on the Commission by relentless pressure from the French Government and by the fact that Moscow has not tried to buy a single tonne of EEC butter since the Commission imposed a tightly controlled tender system last November.

This was designed to give the Soviet Union the opportunity to purchase supplies for the first time since the mid-1980 EEC embargo over the Soviet invasion of Afghanistan. However, the Commission sought to control both the quantities and the level of port subsidy because of political opposition in Britain and West Germany and hostility within the European Parliament.

With EEC butter stocks rising rapidly towards 300,000 tonnes

from just 50,000 tonnes last October, the Commission needs to make a large sale to the Soviet Union—the world's largest butter importer—to prevent the creation of another butter mountain.

It is also acutely aware of France's threat to prevent the import of any more butter from New Zealand after the end of this month unless export opportunities to the Soviet Union were normalised.

The Commission has deliberately delayed an announcement until after the West German election. But Mr Foul Dalsager, the Agriculture Commissioner, told the European Parliament on Monday evening that export restitutions "will be generally available for butter for all destinations."

This means that an exporter can apply for the rebate to bridge the gap between world prices and the Community price. But it will have to declare the destination of the butter for export and the Commission can delay five days before agreeing to provide the rebate.

## Polish reform talks

BY CHRISTOPHER BOBINSKI IN WARSAW

POLAND'S economic reform committee will meet today amid signs that senior government officials are intent on clawing back the modicum of power decentralised to enterprises at the beginning of last year.

The economic reform committee is made up of government, officials, academics and managers who drew up Poland's market-orientated reforms. Today's meeting, the first since October, is to discuss progress.

The party weekly Polityka re-

cently published an article by Mr Włodzisław Cymbala, an adviser to Mr Janusz Obodowsky, a deputy premier and Poland's top economic decision maker, which in effect calls for a return to the command methods in the economy which were discredited in the 1970s.

It openly criticises Mr Władysław Baka, the minister in charge of implementing the reforms, for wanting to give away too much power to enterprises.

Yesterday at noon about 100 students at Warsaw University marked the 13th anniversary of student demonstrations there by laying flowers at a plaque in the university courtyard and singing

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## OVERSEAS NEWS

## Japanese jobless at highest level for 30 years

BY JUREK MARTIN IN TOKYO

JAPANESE unemployment rose in January to the highest level since the government began publishing modern records in 1953.

In January, 2.72 per cent of the workforce (1.62m people) were out of work, an appreciable advance from the 2.43 per cent of December last year, and beating the previous record of 2.70 per cent set in October, 1955.

The figures are extremely low by international standards, reflecting in part different Japanese criteria for judging unemployment. But they are just as politically sensitive, as the not surprisingly defensive reaction of the Japanese Government demonstrated.

The Labour Ministry immediately maintained that a change in the method of compiling statistical information, which took effect in January, may have overstated the real increase in that month.

The Cabinet of Mr Yasuhiro Nakasone adopted the collective view that the unemployment situation was "serious" and was unlikely to improve in the next couple of months.

Mr Noburo Takeshita, the Finance Minister, took the opportunity to state that this year's tax cuts, which the government has somewhat reluctantly pledged, would not be offset by increases in indirect taxation.

The rise in unemployment



Mr Nakasone: Cabinet adopted collective view

may also have some impact on the spring wage settlement, in which annual pay increases in the 4 to 5 per cent range had appeared likely.

The figures do point up some interesting developments in the Japanese economy. Although women comprise only just over 21m of the 55m-strong Japanese labour force, they accounted for 170,000 of the 310,000 increase in unemployment recorded between December and January.

## China challenge on ADB membership of Taiwan

BY OUR PEKING CORRESPONDENT

CHINA has challenged the U.S. support for its demand for the expulsion of Taiwan from membership of the Asian Development Bank (ADB).

A Chinese official said that the U.S. had recognised Peking as the legitimate Chinese Government. It should actively support its bid to take over Taiwan's position in the bank.

The U.S. should explicitly support China's reasonable demand and not set up any obstacles," said Mr Qi Huaiyuan,

the director of the information department of the Chinese Foreign Ministry.

The issue is a further indication of the strains placed on the Sino-U.S. relationship by Washington's continued trading ties and military support for the Taiwanese Government.

Mr Qi made it clear that U.S. support of the ADB membership question was being seen by China as an indication of the U.S.'s commitment to "act in accordance" with the joint communiqué recognising Peking.

## Bulawayo brutality claim

BY TONY HAWKINS IN HARARE

THE ZIMBABWE Government yesterday claimed success in its military sweep of Bulawayo, but a leading church monthly newspaper, an outspoken supporter of the nationalist cause in the 1970s.

A government spokesman accused Mr Joshua Nkomo, the Zanu opposition leader, of hysteria. He said there was growing evidence against the "hardcore" nationalist, pointing to his direct involvement in diss-

ident activity. An attack on the government came in the latest issue of the Catholic monthly newspaper More, an outspoken supporter of the nationalist cause in the 1970s.

It warned Mr Mugabe's government that its brutal tactics in suppressing the bandits in Matabeleland were more likely to "harden dissent than heal it."

## Vietnam rejects Chinese peace plan

By David Tonge in New Delhi

VIETNAM yesterday rejected China's five-point plan aimed at settling the conflict in Kampuchea less than 10 days after it had said it would withdraw some of its 180,000 troops in that country if the security situation permitted it.

Mr Nguyen Co Thach, Vietnam's Foreign Minister and a senior member of Hanoi's ruling politburo, also said in a surprisingly tough statement that his country had no intention of moderating its position.

He added, in his first interview since Peking outlined its five-point plan, that Vietnam would only withdraw all its troops from Kampuchea when China renounced its support for the Khmer guerrilla forces fighting the Heng Samrin regime.

The regime was installed in Phnom Penh after the Vietnamese invasion in 1979.

The five-point plan included:

- Unconditional withdrawal of all Vietnamese troops;
- An end to Soviet support for Vietnam's aggression;
- Negotiations and "practical steps" to normalise and improve relations with Vietnam once the first batch of Vietnamese troops was withdrawn;
- Freedom for the people of a neutral and non-aligned Kampuchea to settle their political system and government;
- Willingness to make a joint commitment to refrain from interference in Kampuchea and to respect the result of UN-supervised elections.

"Time is on our side," said Mr Thach sipping tea in the Vietnamese embassy, apparently unperturbed by the critical speeches against Vietnam's presence in Kampuchea from members of the non-aligned movement.

Mr Thach claimed that the war against the Chinese-backed guerrillas was going well. Far from being perturbed by the apparent thaw in relations between Peking and Moscow, Vietnam would benefit and the flow of arms to the guerrillas would slow.

The talks under way in Moscow between China and the Soviet Union, aimed at healing their 20-year rift, are crucial to Vietnam's attempts to reinforce its pre-eminence in Indochina.

Arab leaders have been closing ranks in New Delhi in what their diplomats say is a move intended to challenge the U.S. to prove that there is still life in President Ronald Reagan's September peace plan.

In a series of meetings in the margins of the non-aligned summit, President Hosni Mubarak of Egypt has begun to find a new acceptance from the Arab countries.

Australians welcome currency move but face further trouble over budget

## Deficit shock for Hawke after devaluation

BY MICHAEL THOMPSON-NOEL IN SYDNEY

THE DECISION yesterday by the incoming Australian Labor Government to devalue the dollar by 10 per cent has certainly cast oil on troubled waters. It encouraged an immediate reversal in the outflow of funds, cheered up the stock market and exporters, and demonstrated that the Prime Minister-elect, Mr Bob Hawke, who scored a landslide win in last Saturday's general election, is a man of action.

The main export gainers from the move will be mining and metal companies, most of which have seen a severe fall in profits in the past 12 months, and farmers. The devaluation is also expected to be of immediate help to the coal industry, which has just started sensitive price negotiations with Japan.

With imports more expensive, local textile, clothing, footwear and car manufacturers will benefit, and job prospects should improve. Australian imports in 1981-82 totalled A\$23bn (£13bn) with machinery, vehicles, textiles and chemicals featuring prominently. Foreign travel will become more expensive but Australia's own tourist industry will be boosted.

Mr Bob Hawke, the Prime Minister-elect, said yesterday that the devaluation had been forced by capital outflows from Australia totalling A\$3bn in the two weeks before the election. Speculation had fed upon itself, putting great pressure on short-term money markets and on the financial system, which had generated significant increases in short-term interest rates, and in some market-determined medium-term rates.

The banking system, in particular, had been hit by the outflow of funds, and had been actively bidding for deposits in the market place at high rates of interest, he said.

Reactions to the devaluation were overwhelmingly favourable yesterday, though it was stressed that higher import

costs must not be allowed to fuel inflation and trigger off another wages surge. This places even greater pressure than before on the Hawke Government's prices and incomes agreement with the Australian Council of Trade Unions (ACTU).

The Confederation of Australian Industry said yesterday that the 10 per cent devaluation was a realistic move, but added: "Wage levels remain a crucial determinant of the viability of the Australian economy."

The Australian Chamber of Commerce said it supported Mr Hawke's "decisive action," and added that "the unexpected and irresponsible increase in the budgetary deficit (for 1983-84) to a prospective A\$9.6bn, which the new Government has inherited, must force an immediate re-examination of Government expenditure programmes, including those flowing from its

own election promises."

Mr Michael Davidson, president of the National Farmers Federation, said the NFF would not normally have supported a large one-off devaluation, but that it had been necessary in present circumstances. In the longer term, he said, the NFF would be seeking a managed float system for handling the dollar.

The mining lobby, whose members export about 95 per cent of the country's mineral products, was enthusiastic, but said that higher operating costs and increased charges on foreign borrowings would slightly blunt the impact of better export prices.

Bankers also welcomed the move, but said that bigger downward adjustments in the trade-weighted index should have been made last week so as to reflect market conditions. "If the Australian dollar had

been freed to float," said one spokesman, "it would have reached its correct market level a lot earlier."

The good news was tempered, however, by the revelation that the budget deficit for 1983-84 is already seen as totalling A\$9.6bn. Mr Hawke was very angry about this figure yesterday, describing it as "unbelievable," and claiming it revealed the extent of the mess left by the outgoing Liberal Government.

Mr Hawke is not prepared to countenance a 1983-84 budget deficit of A\$11bn plus—A\$9.6bn in terms of current forecasts, plus an extra A\$1.5bn for the national expansion plans outlined in Labor's election campaign.

It is now certain that Labor will have to re-examine and presumably scale down its election promises to reflect the economy. These included in-

come tax cuts for 6m Australians, a boost to spending on roads, schools, health, power and communications and 18,000 extra housing starts in its first year in office.

The problem for Labor is exacerbated by Treasury forecasts of a very weak economy for 1983-84, including a considerably higher average level of unemployment in 1983-84 than in the current year. Unemployment in Australia is at present 10.1 per cent.

In addition, there could be negative non-farm economic growth of around 1 per cent and a fall in capital investment. However, inflation is thought to be falling and Mr Hawke said yesterday that the balance of trade had improved substantially during 1982-83 and that on present unchanged policy forecasts the current account deficit should, at worst, be no higher in 1983-84 than in 1982-83.

According to Mr Hawke: "In spite of the difficulties which it has inherited, it is the Government's firm view that any policy to restore the economy and reduce unemployment over the medium term must be associated with a falling rate of inflation."

The incoming Government will take all steps necessary to ensure that nothing, including the effects of this devaluation, stands in the way of the achievement of such a decline in inflation.

The Government may need to take further official action to boost liquidity, bankers think. A possible move is partial release of the funds tied up in Statutory Reserve Deposits (SRDs).

The Reserve Bank holds A\$2.18bn in SRDs, representing 7 per cent of total trading bank deposits. A cut in the SRD requirement to 6 per cent would free A\$313m. The requirement was last adjusted from 6 to 7 per cent of deposits on January 6 1981.

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## REPUBLIC OF IRELAND

In the first of a series, Financial Times writers assess the impact of oil price cuts on the producers' economies

## Iran: Rules may have to be obeyed

BY TERRY POVEY

POST-revolutionary Iran remains as dependent on oil revenues as it was under the previous regime. Billions of dollars are needed each year to pay for imports of armaments, food and raw materials as Iran strives to maintain its position in the Gulf war with Iraq, to feed its 40m population and to keep some of its industries running.

Oil policy has become subservient to Iran's war aims, its economic needs of the moment and its longer-term and largely vague objective of spreading the Islamic revolution throughout the region.

The battle between Iran and Saudi Arabia which has dominated the Organisation of Petroleum Exporting Countries (Opec) over the last few years is both financial and ideological. Iran wishes to humble the kingdom because Tehran seeks to put itself forward as the sole legitimate defender of the Moslem faith and because it considers the Saudis (and other conservative oil producers) to have taken over its oil market share in the post-revolution period.

In the mid-1970s Iran and Saudi Arabia were the two giants of Opec, with almost half its total production shared between them. Iran made record earnings of \$21bn, in real terms, and produced a record 6m barrels a day, (b/d) in 1974. Until the Islamic revolution cut production levels in 1978 it was able to keep hold of just under 20 per cent of the total market for Opec's oil.

After the revolution, fresh price increases helped cover a massive fall in output, which was down to 3m b/d in 1979. In 1980 and 1981, Iran's market share fell even more sharply to just 5-6 per cent of Opec's total, and revenues, despite the higher prices of the period, were falling to cover the growing import bill.

Having paid a heavy price—the virtual elimination of the multi-billion dollar reserves inherited from the previous

regime—for its aggressive oil price policy in 1981, Iran since early 1982 has been pursuing a very different policy.

Using the argument, in private at least, that support for Opec's pricing and production policies would just mean more money going from the surplus funds of the conservative Arab producers to aid its enemy, Iraq, it has felt free to sell its crude at the best prices it can get and in whatever volumes customers will take.

As a result its sales over the last four months have been

Without large-scale use of sophisticated secondary recovery systems (for which neither the gas nor the technology nor the expertise are readily available to Iran) total production is not thought able to surpass 3.5m b/d, so that a price-cutting war Iran would quickly find itself unable to boost production enough to make up the income shortfall from falling prices.

Iran therefore now found itself needing to try to make Opec price and production quotas work again, for as one

A TEAM, led by Red Adair, which was standing by to repair a damaged well-head in Iran's offshore Nowrooz field was flown by helicopter from the nearby Ferdows field yesterday to assess damage caused by Iraqi bombing raids, writes Mary Frings in Bahrain.

diplomat in Tehran said: "There's only a point in breaking the rules when others obey them."

While the most recent Opec deliberations have gone on, the country's exports have dropped off markedly and Iran knows that its customers are attracted only by low prices and that others covet its newly established 2.7m b/d share of the market.

So what is the lowest price Tehran can afford to accept? Foreign exchange needs for the current year will be about \$30bn, including arms. This would suggest a revenue figure to the treasury of around \$20 per barrel, or around \$25 a barrel on the market at the maximum level of production will be required.

The cost of losing out in a price war for Iran's current regime would be enormous. All attempts to win back the support of the old middle and entrepreneurial classes would have to be shelved.



After the oil price cut



## AMERICAN NEWS

# Relaunch of U.S. campaign to freeze nuclear weapons

By REGINALD DALE, U.S. EDITOR IN WASHINGTON

ADVOCATES of a "freeze" in the development of nuclear weapons by the U.S. and the Soviet Union relaunched their campaign on Capitol Hill yesterday, optimistic that they can now make a major impact on Congress.

As the House Foreign Affairs Committee voted heavily in favour of a nuclear freeze resolution more than 5,000 supporters from 45 states demonstrated on the steps outside. They were confident that the non-binding resolution would at least get through the full House, where it failed last year by two votes.

Opponents of the freeze, which include the Reagan Administration, countered with their own Capitol Hill demonstration against the people they derisively call the "freeze-niks." The anti-freeze movement opened the day with a television commercial featuring Mr. Charlton Heston, the film star.

While congressional passage of the resolution would not be binding on the Administration, it would be a major symbolic triumph for the growing movement against nuclear weapons in the U.S.

The resolution, sponsored by both Democratic and Republican congressmen, calls on the U.S. and the Soviet Union to pursue a halt to the nuclear arms race and decide when and

how to achieve a mutual, verifiable freeze on testing, production and further deployment of nuclear missiles and warheads.

Its proponents feel that it has a better chance this time, following last November's mid-term elections, in which 26 more, mainly liberal Democrats, were elected to the House and some states passed their own freeze resolutions. They confess, however, that they stand much less chance of pushing the resolution through the Republican-controlled Senate.

The Administration argues that an immediate freeze in the two super-powers' arsenals would lock the Soviet Union into a position of nuclear superiority—a view not shared by freeze advocates, who maintain that there are already far too many weapons on both sides for it to make sense to talk of superiority or inferiority.

The White House, on the other hand, could live with some versions of the freeze proposal, especially if the suggestion was that weapons should be frozen only after the sort of strategic arms limitation agreement that President Ronald Reagan has called for. That would allow time for the Reagan arms build-up to continue to the point at which it was confident that any freeze would ensure a rough balance of forces on both sides.

## Bolivar exchange controls upset foreign companies

By KIM FUAD IN CARACAS

FOREIGN companies with almost \$2bn invested in Venezuela consider their exclusion from use of a preferential exchange rate to pay foreign debts "illogical and punitive," the Venezuelan-American Chamber of Commerce and Industry said yesterday.

"Foreign companies pay taxes, create jobs, train personnel and provide Venezuela with goods and services. It needs, so it's not logical to exclude them," Mr. Roger Farrow, the chamber's president, told

a Press conference.

In announcing a three-tier exchange rate system last week, the Government said that Venezuela's private sector foreign debt, estimated at around \$7bn, would enjoy the preferential rate of 4.50 bolivar to the dollar if converted into four-year debt.

But companies with a more than 49 per cent foreign equity were excluded, which may force them to buy dollars at the present free market rate of 7.60 to pay their foreign obligations.

## Western creditors in agreement with Cuba

By David Marsh in Paris

CUBA has signed an agreement with Western creditor nations, pledging tough economic action aimed at improving its balance of payments.

The agreement is a condition for the debt restructuring package worked out in Paris last week, and marks the first time that a group of Western governments, independent of the International Monetary Fund, has set strict economic targets for a foreign country as part of a debt stabilisation package.

The need for the conditions set by the creditors' objectives for Havana's reserve position, debt level and current account over the next year—arose, according to diplomats in Paris, because Cuba is not a member of the IMF.

Western governments which meet in Paris to work out restructuring solutions for heavily indebted countries habitually link debt restructuring with conditions set by the IMF. Since no IMF agreement could be reached in this case, the countries had to assemble a set of conditions as a proxy for the Fund.

Last week's agreement provides for rescheduling over 81 years of \$412m in debt repayments due to Western governments between September last year and the end of 1983.

Under an annex to the agreement, which has not been made public, Cuba has pledged to keep to the economic objectives as a condition for rescheduling a further \$250m of repayments due next year.

The Cuban accord has been particularly sensitive because of Havana's lack of diplomatic ties with the U.S.

The U.S. Government, which is still claiming that Cuba is a communist regime, has refused to participate in the negotiations. But, in an informal role, it kept abreast of developments and participated in the working out of the conditions set for Cuban economic stabilisation. The Paris meetings of creditor nations, however, were not attended by French government officials.

Richard Lambert reports from New York on a success in the U.S. newspaper war

## Daily fix of colour pix wins hearts in sticks

A BOLD experiment in newspaper publishing takes another big step forward this morning when USA Today—billed as the first general interest newspaper to be sold nationally in the U.S.—makes its debut on the streets of Chicago. Launched last September in Washington and Baltimore, the paper is now printed via satellite in 13 major market centres across the country.

Philadelphia is next on the list later this month and in early April the paper will appear in New York City. Gannett Company, its publisher, thinks it will arrive in the Big Apple with a daily circulation of some 800,000 copies, compared with the latest audited figure of a net 531,000 paid copies a day in the final week of January.

By the end of this year, Gannett is planning on daily sales of 1.15m copies, and the five-year target is 2.35m. For comparison, the Wall Street Journal sells around 2m copies a day, and the New York Daily News—the biggest selling general interest paper—has a weekday circulation of around 1.5m.

But USA Today is not aiming for a traditional newspaper readership, and it certainly does not look anything like a traditional newspaper. Its most striking feature is the brilliantly clear colour pictures which are scattered throughout the 40-page, four section issue. In its use of graphics and concentration on brief bulletins,

rather than detailed reports, USA Today is the nearest thing to television journalism to be found in print.

An average issue will contain at least twice the number of stories carried by a conventional paper and compression is sometimes taken beyond the point of hilarity. Last week, for instance, USA Today carried a summary of the candidates and issues involved in the West German, French and Australian elections in a total of under 250 words.

Apartment from sport, the emphasis is on what might be termed "general interest" reports as opposed to hard news: a typical lead story on the front page starts: "Greg Wilson bit his lip as he thought about the question 'What would it mean if he and his Carlisle County High School team-mates won the state basketball championship?'"

Thin the paper, there is a double page spread of brief reports from every state in the union: "Des Moines... the manager of the civic centre died early Sunday or he heard shake hands: 'Take off your gloves. Make sure your hands are clean...' and so on.

A strictly personal view is that if a paper like this can reach a worthwhile audience, we might as well all go fishing. It

has no depth, no style and no views. Typical of its bland approach is the editorial page, which is given over each day to a single topic that is covered in several articles by people with different views. Recent examples include "making war on far can be unhealthy" and "workers deserve age protection."

However Gannett claims to be

quite modest—a share of between 3 and 7 per cent in each of its markets will do the trick—but that could make a big difference to papers which are having to struggle to survive, especially those which are already in a weak second place in their home towns.

Existing newspapers tend to burst into (generally inferior) colour a few weeks before USA

advertising so far has been sold on special bargain terms. The paper is keenly priced at 25¢ a copy against 30¢ for the New York Times.

And although Gannett has been able to limit the costs by using its existing production facilities in most of its markets, the expenses of the operation are very substantial. With 31 people in the newsroom, the editorial wage bill alone must be immense.

Gannett has given no details about its investment in the paper, but its latest comment about the financial position is rather sombre. In a submission last week to the Securities and Exchange Commission, it said that the "substantial operating losses and significant capital expenditures and other start-up costs incurred during the early stages of USA Today's development will adversely affect the company's rate of earnings growth in 1983 and 1984 but will have no significant adverse effects on Gannett's continuing operations." USA Today already represents a big chunk of Gannett's newspaper circulation with total daily sales of 4.5m copies, and is clearly a big gamble for the group.

But Gannett has a sound balance sheet and a good business record. Its chairman, Mr. Al Neuharth, a hard driving and very successful newspaper entrepreneur, is deeply committed to the project. No one, least of all the competition, is assuming that it will fail.

6 A strictly personal view is that if a paper like this can find a worthwhile audience, we might as well all go fishing. It has no depth, no style and no views. Typical of its bland approach is the editorial page, which is given over each day to a single topic that is covered in several articles by the people with different views. "Making war on fat can be unhealthy" and "workers deserve age protection," are recent examples. 9

reaching its target audience, a youngish readership, in the same kind of education and income brackets as the buyers of news magazines like Time and Newsweek. It sees the paper as being especially attractive to business travellers who want to know the college basketball scores back home (they are all there), and it is relying very heavily on street distribution through vending machines and stores as opposed to home deliveries.

Moreover the paper has certainly caused a flutter among established newspaper proprietors. Its circulation goals

Today starts publication in the area and take robust steps to protect their distribution channels. In Chicago, the Tribune adopted a bold new colour masthead at the end of last year and has recently launched itself into "magic Zingo," a British-style bingo game, while the Sun-Times has been quietly redesigning its layout.

It will be at least two years before Gannett knows whether USA Today can pay off. At the moment, it claims to be reaching its target ratio of 30 per cent advertising and 70 per cent editorial, but most of the

## Argentina sees short delay to repayment

By JIMMY BURNS IN BUENOS AIRES

ARGENTINA yesterday moved swiftly to re-assure foreign creditors that they were not facing a major default on the country's \$38.7bn of foreign debts following its deferral of repayments of about \$1.4bn of short-term private sector loans falling due this month.

On Monday night the Argentine central bank, which recently assumed responsibility for part of the country's private debt, said that it was pending "indefinitely" the repayment "swaps"—short-term commercial loans which often involve currency exchange between central banks.

This was the third time that the central bank had rolled over the maturing loans since they were first taken out in 1981.

The first time was during the Falklands War and the second last December when the central bank asked for a 90-day moratorium.

The central bank yesterday blamed an administrative hitch for Argentina's inability to meet its repayment deadline. The problem would be resolved within a few days, an official said. He substituted the word "temporary" for "indefinite" and insisted that renegotiating the payment of the \$1.4bn was included in talks with foreign banks and the international Monetary fund, on Argentina's debt problems.

Meanwhile, local foreign bankers, who were apparently

between Argentina and the IMF. The Government is fighting a losing battle to bring the inflation rate down to 160 per cent this year. Consumer prices rose by 13 per cent in February compared with 16 per cent in January and 5.3 per cent in February, 1982. Economists are now predicting an inflation rate of more than 400 per cent this year.

Signs of a return to hyperinflation rates of seven years ago have led to increased military pressure on Sr Jorge Wehbe, the Economics Minister, to change aspects of his policy. The air force, which is believed to have asked for the sacking of Sr Wehbe on at least one occasion, is asking for sweeping price controls.

## U.S. meeting for finance ministers

By Max Wilkinson, Economics Correspondent

FINANCE ministers of the seven major industrial countries are to meet in Washington next month to discuss economic strategies including the possibility of stabilising currency markets.

The meeting will be on the sidelines of the World Bank's Development Committee on April 28. In the normal way not all finance ministers would have attended this meeting. However, they want to take the opportunity to discuss the agenda for the world economic summit meeting in Williamsburg, Virginia, in mid-May.

## WORLD TRADE NEWS

### Western businessmen claim Russia is short of cash

By RAY DAFTER, RECENTLY IN MOSCOW

EUROPEAN and U.S. businessmen returning from Moscow report that there is growing evidence the Soviet Union is running short of hard currency.

Soviet importers are said to be delaying investment decisions and taking longer to settle bills.

The evidence is largely anecdotal. The chairman of a UK company who had been seeking new Soviet orders commented on his return from Moscow: "There is no question that they are short of hard currency."

He said the Soviet Union appeared to be concentrating on buying equipment for key sectors—agriculture, energy and electronics but was delaying decisions on other purchases.

The businessman said that while the reception was "friendly," few members of the

mission had been able to conclude deals. He added that he would have to return to Moscow for further negotiations.

"They appear to have certain projects which they will push through come hell or high water. But for other things they are telling people they will have to wait for orders."

Mr. Jan Vanous, senior economist with Wharton Econometric Forecasting's centrally planned economies service in Washington DC, said that the experience was that the best and earliest barometer of possible Soviet difficulties.

He pointed out that last year the Soviet Union's hard currency exports were substantially higher than in 1981. Exports to the developed West totalled \$26.1bn, of which \$20.9bn was in the form of energy (mainly oil and natural gas), while exports to non-Communist developing countries totalled \$13.6bn.

Mr. Vanous said that the Soviet Union could soon see a decline in its hard currency earnings given that it was being forced to substantially cut the price of its exported oil. The decline in the oil market could also have an indirect impact on Soviet exports to developing countries, especially those in the Middle East and North Africa heavily dependent on petrodollars.

It is expected that some oil-exporting countries may be forced to reduce their imports of Soviet arms. Last year it is estimated that half of the Soviet Union export earnings from developing countries arose from arms sales.

Mr. Vanous added that the unusual Soviet winter conditions could also hit this year's grain harvest. The Soviet cautiousness with hard currency might also reflect concern about the harvest and the possibility of grain imports, he said.

### Canadian timber 'not subsidised'

By Nancy Dunne in Washington

A PRELIMINARY Commerce Department investigation of the \$2bn softwood lumber trade between the U.S. and Canada has determined that Canadian imports are not being subsidised.

In response to a complaint filed by some 200 U.S. softwood lumber producers which alleged that the 100-year-old "stumpage" system Canada uses to determine prices of timber constitutes Government subsidies. The producers asked that countervailing duties be imposed.

Canadian officials said the department decided to re-examine the "stumpage" system for Canada. The case threatened to have a major impact on trade relations between the two neighbours, weaken the Canadian lumber industry, and damage the recovery of the U.S. home-building sector.

Mr. Malcolm Baldrige, the Secretary of Commerce, announced that the ruling had been made "by applying the countervailing duties law to the facts discovered so far during the investigations."

The department found that the Canadian Government's practices regarding sales and allocation of timber on Government-owned lands do not confer a subsidy. They are generally available within Canada on equal terms, appear to be reasonable ways to sell the logging rights, and do not assume a cost of producing softwood, the Department said.

According to the department, even though U.S. and Canadian prices for timber have differed significantly in recent years, the current gap appears to reflect the following:

- Differences in quality and accessibility of the timber;
- The practice, in Canada, of requiring those who harvest timber to perform forest management services for the government;
- The fact that U.S. companies bid for timber anywhere between two to five years in advance of use, without taking into account the decline in the U.S. market for lumber and wood products.

Mr. Baldrige emphasised that the findings are preliminary. The Department will hold a public hearing on April 14 and make a final ruling by May 23.

### Rees urges a scaling down of the U.S.-EEC trade row

By PAUL CHEESBRIGHT, WORLD TRADE EDITOR

MR. PETER REES, the Minister for Trade, yesterday intervened in the sharpening EEC-U.S. agricultural trade dispute with a warning that nobody can afford a trade war, "slugging it out with escalating export subsidies."

His prescription for a scaling down of the long-running row was, in effect, to do nothing. "It would be as well if everyone would accept that agriculture has always been—and is being recognised by the General Agreement on Tariffs and Trade (GATT)—as a special case," he told a diplomatic audience at the Association of Economic Representatives in London on Tuesday.

But he hinted that the disciplines of the open trading system should be applied to agriculture. Extolling the virtues of the open trading system, which the Government is committed to

maintain, he said: "Free trade can never be an absolute concept."

He added: "We must expect our actions to match our fine words—even in such sensitive fields as steel, textiles and agriculture."

Mr. Rees also attacked the U.S., observing that American farmers receive more dollars in price support than those in the EEC, and that the EEC's common agricultural policy is not the only factor making life difficult for the American farmer.

At the same time he accused the U.S. of undermining "the sensible and conciliatory atmosphere generated by transatlantic talks in Brussels (last December) and the GATT ministerial conference," by subsidising wheat flour sales to Egypt, a traditional EEC market.

This twin approach—a nod in the direction of freer farm

trade and loyalty to the EEC line—pointed to the Government's dilemma on external farm trade policy: how to reconcile loyalty to the EEC with a degree of detachment from the effects of the common agricultural policy.

Although Mr. Rees gave no indication of how the Government intended to match words with action in the sensitive product areas, he argued that the UK had kept faith with the general principles of the open trading system as well as say and better than most.

"A study shortly to be published by the Trade Department calculates that in Britain only 4 per cent of imports of industrial products and 7 per cent of total visible exports are subject to non-tariff restraint and that 20 per cent of total imports are subject to tariff barriers," he said.

### Spain's \$30m aircraft kit contract

By David White in Madrid

SPAIN'S RELIANCE on Indonesia as an outlet for its aircraft industry has been reinforced by a further \$30m contract for the state-controlled aircraft manufacturer Construcciones Aeronauticas (CASA).

The contract with the Indonesian state company Nurtanio is for 40 assembly kits for the C-212 Aviocar, CASA's twin-prop "jeep on wheels." It brings total sales of the short-take-off aircraft to 375 and establishes Indonesia as the main customer with 128 units.

The Spanish and Indonesian companies are in a 50-50 joint venture to produce an upgraded version of this aircraft, the CN-235, deliveries of which could start next year.

This is to have an increased passenger capacity of up to 40 in its civilian version. The military version is destined for a variety of uses, including troop transport and paratroop training.

Delivery of the Aviocar kits for assembly by the Indonesian company is to start within 12 months, at a rate of two a month.

### U.S. importer permitted to take Algerian LNG

By FRANCIS GHILES

THE Trunkline Liquefied Natural Gas Company, an affiliate of Panhandle Eastern Pipeline of Texas, has been allowed to continue importing Algerian liquefied natural gas (LNG) by the U.S. Energy Regulatory Commission (FERC) and the Economic Regulatory Administration (ERA).

Both agencies have voted to reject complaints by customers of Trunkline, who are trying to prevent the company from passing on to its clients the higher price of Algerian gas. Trunkline will have to initiate new pricing negotiations by April 1 or risk losing its import licence.

Trunkline has contracted to buy 4.5bn cu metres of LNG a year from Algeria's state oil and gas company, Sonatrach. Deliveries started last September, a year later after the U.S. company had begun proceedings over delivery delays against Sonatrach in the International Chamber of Commerce in Paris. In the event the arbitration court proved unnecessary.

The first regular delivery of gas was made on December 1, 1982, and Trunkline is currently paying \$3.87 per million British thermal units (BTU) for this gas.

The existing pricing formula was negotiated last summer between Trunkline and Sonatrach. It has yet to be submitted to the U.S. authorities. It indexes the price of the gas to a "basket" of crudes.

The two federal agencies also agreed that the evidence submitted by the critics of the Trunkline contract did not convince them that Algerian gas would not be needed in the future. Nor did they accept that Algeria had been unreliable, but any future interruption in supply will reopen the question of Algerian reliability as a supplier.

The question of reliability also has a political colour. The sharp rise in U.S. exports to Algeria, which peaked last year and the visit of a 70 U.S. businessmen led by the U.S. Secretary of Commerce, Mr. Malcolm Baldrige, to Algeria last December suggests a relations between Algeria and the Reagan Administration are warmer than two years ago.

Meanwhile, agencies add from Rome that the first deliveries of Algerian natural gas to Italy through the trans-Mediterranean pipeline could start in June.



Dr Hammer: confident of final agreement

### Occidental gets closer to China coal deal

By Mark Baker in Peking

THE CHAIRMAN of the Occidental Petroleum Corporation, Dr. Armand Hammer, announced yesterday that an interim agreement had been reached with the Chinese Government which would ensure development of the world's largest coal mine in China's Shanxi Province.

Dr. Hammer said he was now confident a final agreement to develop the 1.4bn-tonne deposit of high-rank steaming coal would be signed on July 1.

While he did not specify what matters remained to be settled, he said: "We don't think they are material. We don't think they are important."

Coal from the huge reserve, located at Pinghuo, west of Peking, will be marketed in Japan, Korea and the Philippines. Occidental is also looking toward other markets. If the project goes ahead, it is likely that, within five years, Australia's dominance in the growing Japanese steaming coal market would be challenged.

The joint venture would be the largest so far agreed between a U.S. company and the Chinese and China's first energy-related joint venture. The agreement had been under negotiation for several years, and an earlier accord was signed a year ago.

The interim agreement was signed after an hour-long meeting between Dr. Hammer and the general secretary of the Chinese Communist Party Central Committee, Mr. Hu Yaobang.

### UK drive to boost Soviet trade

By TOM SEALY

BRITISH business is sending its biggest ever delegation to Moscow next week in an attempt to boost its flagging trade with the USSR. Ten years ago Britain was Russia's leading western trading partner. Today it ranks as number seven and suffers from a continuing and worsening trade deficit.

The trip, which runs from March 13-8, is organised by the British Soviet Chamber of Commerce in co-operation with the USSR's Chamber of Commerce and Industry and the Soviet Trade Delegation in London. It will be headed by Mr. Ralph French, the council's chairman and head of ICI's East European region. But, as Mr. French points out, it is not a one-off affair.

"We are not looking for a flash-in-the-pan trade increase," he comments, but an increasing long-term share in the Soviet market." To support this the Chamber has changed its articles of association and next week's Moscow visit will be followed a week later by a visit to Suzdal headed by the chamber's president Mr. John Mayhew Sanders. Also, the chamber is organising a visit to the Ukraine in the summer, and the London Cham-

ber of Commerce and Industry is organising another trip for businessmen in the autumn.

The companies making the trip fall in to two main groups—energy and agriculture. On the energy side British companies will be offering technology and systems for enhanced oil and gas recovery to control and instrumentation for reducing energy consumption. In agriculture, a range of technologies will be presented from harvest aids to food processing and packaging.

Soviet imports rose to £676m last year against £528m in 1981; UK exports fell to £356m from £409m. Also, over 90 per cent of British imports from Russia were made up of oil and oil products.

Stephanie Gray adds: The trade delegation visit will follow close on the heels of a mission of British diplomats, sent to Moscow to try to extract £500,000 in unpaid rates from the Soviet trade delegation in North London. If they do not succeed court action will go ahead on March 25 through which London's Camden Council will seek a distress warrant on the premises.

The Soviet trade mission situated in the London community of Highgate, was claiming diplomatic status similar to that of its embassy under which the foreign office would pay the rates on behalf of the Soviet Union.

### BaE promotes U.S. warehouses

By Christian Tyler

THE U.S. marketing arm of British Aerospace is trying to stimulate interest among British exporters in its U.S. warehousing and service facilities.

Intrac, a division of BAE Inc, has launched a direct mail campaign at 2,000 medium-sized companies and received 35 replies so far.

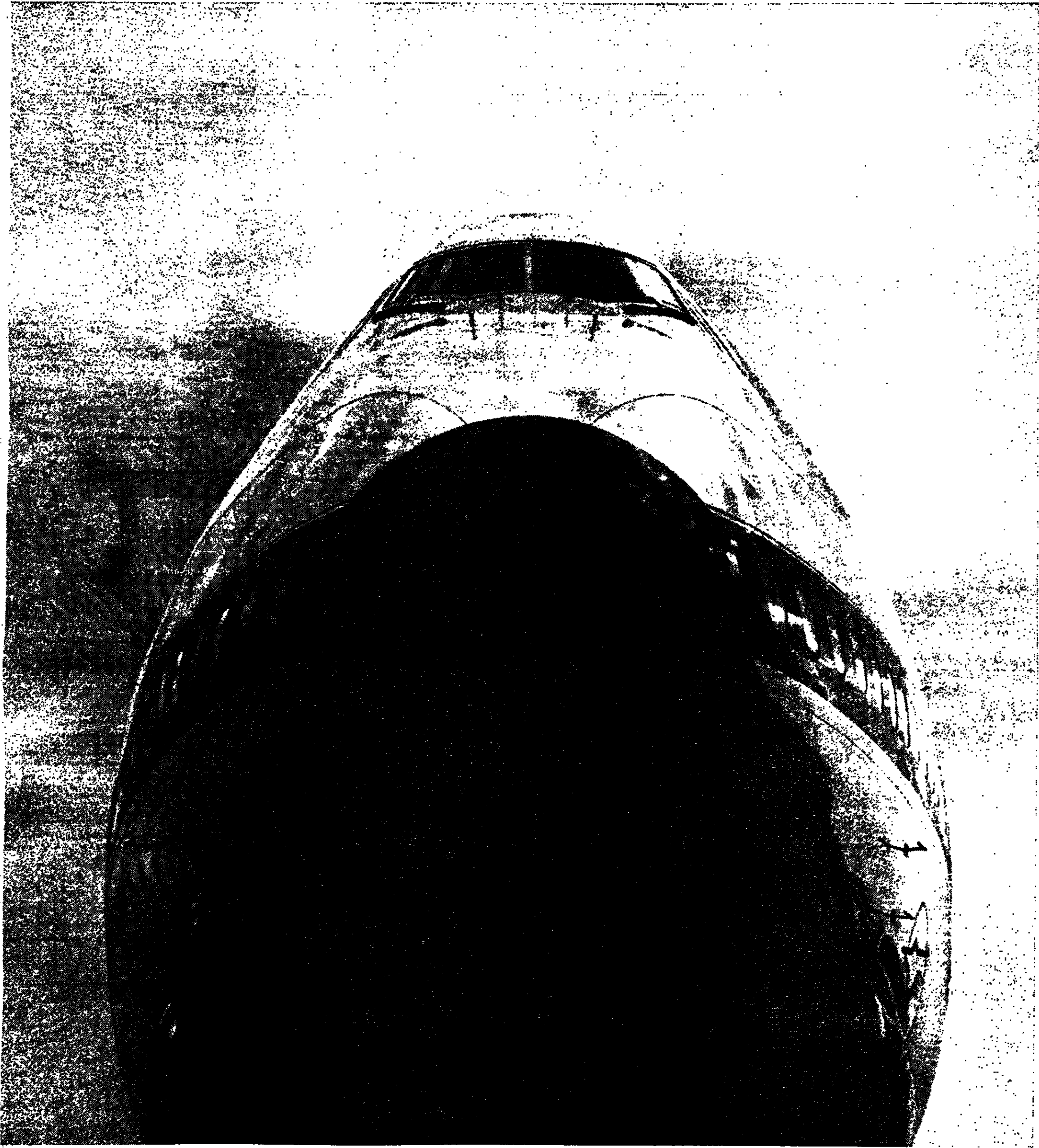
The company was formed in 1968 to make use of spare capacity in its warehousing and distribution operation for aircraft parts. It has five outside clients at present, including the manufacturer of upmarket loudspeakers, and has an agreement in principle with a sixth.

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## UK NEWS

# Monetary growth well within target range

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

SIR GEOFFREY HOWE, the Chancellor of the Exchequer will be able to announce in his budget speech next week, that the money supply appears at last to be comfortably under control.

This will be the first year since the Government published its medium term financial strategy that the monetary growth has been within the target range.

Yesterday the Bank of England estimated that in the year to mid-February, sterling M3, the broad measure of money supply, grew by 9% per cent. M1, the narrow measure, grew by 11 per cent and the widest measure of all, PSL2, grew by 8% per cent. The Government's target announced in the last budget was for growth of between 8 per cent and 12 per cent for all three aggregates in the period.

In the present target period, starting in February 1982, the growth of sterling M3 has been progressively decelerating, and the latest figure shows growth on an annualised basis which is the lowest since March.

The recent slowing down of monetary growth partly reflects the

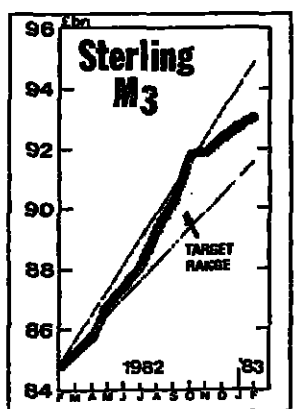
lower than expected inflation rate. However, bank lending, which is one of the main counterparts to the money supply, has also shown a tendency to moderate its growth in recent months.

The London clearing banks said yesterday that lending to the private sector rose by an estimated £500m to £700m in the four weeks to mid February. This suggests that when the full banking figures are published, total lending to the private sector will have increased by about £1bn.

This estimate compares with an average rate of increase of about £1.5bn a month last year and appears to confirm the slower trend which has emerged in recent months.

The Government will be anxious, nevertheless, in case economic recovery and a rebuilding of stocks this year results in a surge of new lending to the company sector.

But recent encouraging money supply figures might tempt the Chancellor to announce somewhat squeezed targets for the next financial year. At the time of the last budget, it was announced that the



target range for 1983-84 would be growth of 7 to 11 per cent.

However, the inflation rate seems likely to be at least a percentage point lower for the year than was predicted a year ago.

On the other hand, the Government has been embarrassed so frequently by the overshooting of its monetary targets, that it may wish to leave the bull's-eye as large as possible.

## BSR to launch cash call for £21m

By Ray Maughan

NEW MANAGEMENT of BSR has completed its plans for a financial reconstruction of the loss-making record changer electronics and kitchenware group.

Details of the reconstruction, which are expected today, include a rights issue to raise over £21m, and a subscription for new shares, in which Finance for Industry has participated, which will raise a further sum. A change of name and tax domicile is also proposed to reflect the importance of the Astec electronics subsidiary which is based in Hong Kong.

The group, which is to be known as Astec-BSR, proposes to call on existing shareholders for just over £21m by way of a one-for-three rights issue at 55p. The shares dropped 3p yesterday to 70p valuing the group at £21m on the London stock market.

BSR's losses after all charges amounted to £1.5m in the first six months of the year to January 9, 1983 and the board has since declared 1,200 redundancies in the principal Cradley Heath, West Midlands, record changer factories.

## British coal investment highest in EEC, says Brussels report

BY GILES MERRITT IN BRUSSELS

THE EUROPEAN Commission released figures in Brussels yesterday showing that the UK's capital investment in the coal mining industry has dwarfed that of other EEC countries.

The Brussels survey did, however, note that expenditure on capital equipment for the UK coal industry has fallen slightly in the two years following 1980, when it soared to a record 1,273m European currency units (Ecu), even though in the other main EEC coal-producing countries spending had continued to increase during 1981-82.

The European Commission figures, nevertheless, show that in relation to coal output Britain's investment programme easily outstrips those of West Germany, Belgium and France.

Last year, the UK, which produces about half of all EEC coal, spent 1,247m Ecu on capital equipment, while for West Germany the figure was 471m Ecu, France 68m Ecu, and Belgium 47m Ecu.

UK coal extraction currently stands at some 124m tonnes, as against 95m tonnes for Germany and only 18m tonnes and 6m tonnes for France and Belgium, respectively.

The EEC study says, at the same time, that the extraction potential of the UK coal-mining industry will decline only gradually during the next few years, dropping from 122.7m tonnes in 1981 to 122.5m tonnes by 1985.

On steel, the Commission analysis re-emphasised the dangerously wide gap between crude steel output in the EEC and the much higher level of installed capacity that continues to threaten price stability. The survey sees potential production dropping to only 181.5m tonnes by 1985 from 187.8m tonnes in 1981.

## Thatcher still backs MacGregor

BY IVOR OWEN

MRS MARGARET Thatcher, the Prime Minister, is still hoping to persuade Mr Ian MacGregor, the chairman of the British Steel Corporation, to agree to serve a two to three year period as chairman of the National Coal Board (NCB).

This was made clear at Westminster last night after she had rebuffed renewed attacks on 70-year-old Mr MacGregor by Labour MPs in the House of Commons.

Mr Thatcher carefully kept the Government's options open as she replied to questions about the choice of a successor to Mr Norman Siddall.

She again praised Mr MacGregor's achievements in the coal industry in the U.S. and assured Mr David Steel, the Liberal leader that the appointment of Mr MacGregor as a temporary chairman of the NCB was not in her mind.

Mr George Foulkes (Labour) contended that Mrs Thatcher's delay over the appointment resulted from the attempt by Lazard Freres, the New York investment bank in which Mr MacGregor remains a limited partner, to secure yet another transfer fee.

He claimed that the amount in question was £1.5m - a sum it would take a miner 250 years to earn.

## Concorde funding extended by a year

THE GOVERNMENT last night agreed to foot the bill for British Airways Concorde airliner operations for another year.

Mr Norman Lamont, Industry Minister, told MPs that plans to switch support costs to the state airline from the end of this month had been postponed until March 1984.

This would allow more time for an agreement to be drawn up with British Airways, for further negotiation of contracts between the

More UK news on Page 11

state owned airline and the aircraft manufacturers, and for further discussions with the French Government.

He said: "To give the maximum time possible for the negotiation of new contracts, under which support can be continued in accordance with the requirements of both British Airways and Air France, the Government has also given British Airways and Bole-Boyer formal notice that Government contracts for in-service support of Concorde are being terminated with effect from March 31, 1984."

### £3.2m damages

A DUBLIN court has awarded damages of £3.2m (£3.2m) in favour of a British company in a breach of copyright case. The award against Point Blank, of Cork, was in respect of profits made by them on the sale of bullet-proof vests to the Libyan army.

A judge held that copyright in the design of the vests belonged to Mr Michael Sacks, director of Armourshield, a Manchester company.

### Fishing curbs

MEASURES are being introduced to combat foreign, mainly Spanish, fishing vessels, which re-register in Britain in order to circumvent EEC fishing regulations.

Mr Alick Buchanan-Smith, Minister of State for Agriculture and Fisheries, said a provision in the British Fishing Boats Bill will require that at least 75 per cent of the crew of any fishing vessel operating in British waters must be composed of nationals from EEC countries.

### Petrol sites swapped

PETROFINA, the Belgian oil company, is withdrawing from the petrol market in Scotland as part of a petrol station swap with British Petroleum sites in England.

The deal is the latest in a series of attempts to rationalise the UK petrol market, which has been running up large losses for the major oil companies over the past two years.

### Layoffs at Ford

FALLING car sales in the European market have led to temporary short-time working in the transmission plant at the Ford works at Halewood, on Merseyside. About half the 2,400 workforce has been laid off for this week and the remainder will be stood down in the week before Easter.

## Domestic air fares to cost more

By Lynton McLain

DOMESTIC air fares in Britain are to rise by between 5 and 10 per cent from April 1, the Civil Aviation Authority said yesterday.

The decision keeps the £11 price differential between the lowest return air fare offered by British Midland Airways, the independent operator on the London, Heathrow to Edinburgh and Glasgow, and the higher-priced shuttle service of British Airways.

From April, the cheapest return fare, on BMA, will be £105 on both routes, compared with £98 for the same ticket today. British Airways, by contrast will offer its shuttle return service for £110, compared with £110 today.

British Caledonian Airways, which operates from Gatwick Airport to Edinburgh and Glasgow will charge £118 return, against its current fare of £110 return.

## Minister to press for speedy BSC sale

By Peter Bruce

MR NORMAN Lamont, Industry Minister, last night gave one of the clearest signals yet that the Government intends to press Mr Ian MacGregor's successor at the British Steel Corporation to speed up privatisation of BSC. No part of the corporation need escape denationalisation, he warned.

The Government is thought to be frustrated at the relatively slow pace of privatisation and rationalisation of the corporation under Mr MacGregor's chairmanship. Negotiations with possible successors, including Sir Alistair Frame, Deputy Chairman of Rio Tinto-Zinc, are understood to have included undertakings to speed up the denationalisation of the corporation.

Mr Lamont, speaking to the British Constructional Steelwork Association, said that while total privatisation of the corporation would take time, the public and private sectors should try to find ways to rationalise capacity and demarcate overlapping areas of production.

"I am talking to BSC and the British Independent Steel Producers Association about this," he said, "and the Government is giving it high priority in 1983. Ultimately, there is no part of BSC that cannot be nationalised."

"In every one of the major areas of overlap between the public and private sectors proposals either for rationalisation or 'Phoenix' (merging BSC and private sector operations) type companies are being studied. Firm proposals in many of them are currently being negotiated."

Mr Lamont said that under the Phoenix schemes agreed so far, which included joint ventures with the private sector in wire rod, heavy forging and bright bar, the businesses involved had a combined turnover of £360m. BSC's total turnover in the year to March 31, 1982 was £34bn.

The Government, he said, had stressed to BSC the importance of running downstream activities "with maximum financial transparency." Without a clear separation of BSC's companies "neither the corporation nor industry will know whether the individual enterprise's performance is satisfactory and profitable," he said.

Mr Lamont criticised press reports which had suggested that the Government was adopting a fatalistic attitude towards the decline of some sectors of the steel industry. He said that much of the £50m the Government was providing to private sector steel companies for restructuring was going to "help" new investment.

"This is not a view of the industry which is fatalistic. It is on the contrary, realistic, and is changing the face of the industry to ensure its survival as a new, competitive force."

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## TECHNOLOGY

## EURO VISION OF GRAVITY-FREE MATERIALS PROCESSING

## Future factories may orbit in space

BY DAVID MARSH IN PARIS

"AS LITTLE is known now about gravity-free processes as was known 500 years ago. Materials processing in future space factories may, in time, be more important than the use of space for telecommunications satellites." That is the view of Herr Johannes Schubert, head of the space division of Messerschmitt-Boelkow-Blohm, West Germany's main aerospace company and a leader in Europe's futuristic plans for manufacturing in orbit.

An important milestone along the road towards the commercial use of gravity-free processes is due to be passed later this year when Europe's manned space laboratory, Spacelab, is scheduled to be launched on board the U.S. space shuttle.

Spacelab, which has been under development for 10 years by the 11-nation European Space Agency, is made up of two elements—a pressurised module manned by specialist space technicians, and an unpressurised pallet containing scientific apparatus open to the sky. The first mission of Spacelab, which will be transported in the cargo bay of the shuttle for about a week, will carry out numerous solar, astronomical and earth observation experiments as well as tests on materials under weightless conditions.

But officials at ESA's headquarters in Paris make clear that the Spacelab programme—which has cost about £500m so far—is just the beginning.

There are two extremely important "ifs"—over the technical capacity of U.S. and European space planners to master the complexities of launching large orbiting structures, and ferrying materials to and from them; and over the willingness of governments and private business to put up the money.

## Large-scale

But, provided these conditions are met, M Jacques Collet, a planning official at the agency, believes that past production facilities in space could be set up in the second half of the 1990s, with large-scale space factories perhaps operating by the year 2000.

Considering the cost of launching materials into orbit, the scientific disciplines eligible for space commercialisation are those where the end product is of great value, can be

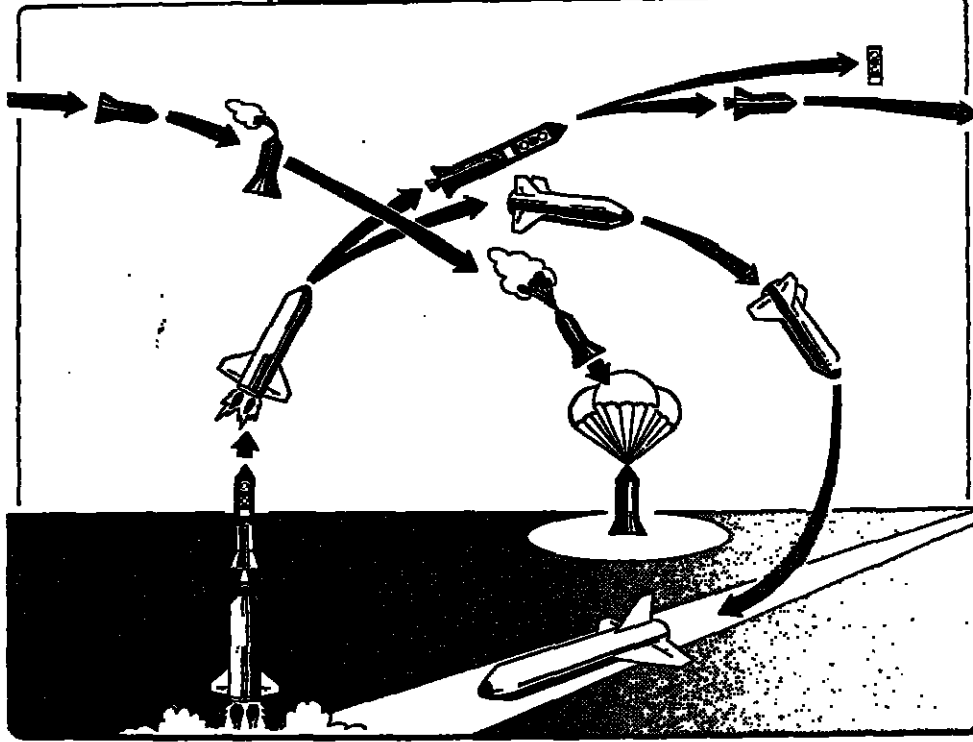
made more effectively (or perhaps exclusively) under gravity-free conditions; itself weighs very little and takes up only a small space. A number of U.S. companies involved in areas ranging from pharmaceuticals and medical equipment to electronics have already signed agreements with the U.S. space agency NASA on carrying out experiments in future years on board the space shuttle. NASA will carry the experiments free of charge—provided the results are made public. But European companies, according to M Collet, have shown very little interest so far.

## Techniques

The promising areas are: ● Metallurgy. New alloys impossible to make on earth—requiring, for example, perfect homogeneity in the mixing of metals—will be born, one day, in space factories. The U.S. company GTI has linked up with NASA to research into metallurgical furnaces in space, while Canadian nickel producer Inco will experiment on new electroplating techniques. Another U.S. concern looking into alloy making is the world's biggest farm equipment maker, Deere and Co, which will be studying the properties of graphite particles in cast-iron melts. Chemicals giant Du Pont for its part has signed up for research into special catalysts.

● Crystallography. Microgravity Research Associates has signed up with NASA for research into high-performance gallium-arsenide chips for use in electronics. Other possibilities include the fabrication of new types of carbon fibres and composite materials for use in the engineering and aerospace industries, and, perhaps most excitingly of all, the production of superconductors—materials offering no resistance to electric currents.

● Medicine. Johnson and Johnson, the U.S. pharmaceuticals giant, will be launching experiments to explore production of enzymes through cell separation in weightless conditions. The multinational Battelle company based in the U.S. will also be looking into biotechnology applications of space processing, aimed at making a family of biomaterials for a range of clinical purposes.



Aerospaciale has carried out studies on a fully reusable two-stage launcher for low earth orbit. The launcher returns to Earth in much the same way as Columbia, the second stage returns by parachute, leaving the payload in orbit, but Britain is regarded as niggardly for not providing a bigger contribution to the £7m costs of the study

The Spacelab programme itself will give researchers only the most preliminary insight into materials science in space. Missions will enable experiments to be left in orbit for a maximum of about 10 days aboard the space shuttle. To carry out experiments of a longer duration, ESA is developing the European Retrievable Carrier project (Eureca).

Eureca, whose first launch is planned for 1987, will be a free-flying space carrier which aims to combine the advantages of Spacelab and a conventional satellite. It will be put into orbit from the cargo bay of the space shuttle and left to operate autonomously for about six months. It will then be retrieved by the shuttle together with its payload, brought back to earth and prepared for further missions.

Eureca is conceived as the first step in an evolutionary programme which could finally lead to construction of materials—fabricating stations later in the 1990s. Before that can happen, ESA has to take some important strategic decisions.

## They concern:

First, the type of space platform to be built. One of the key questions is the role of human operators in supervising the space factories of the end of the 20th century. The French national space agency CNES has already put forward for study by its European partners a project, called Solaris, for a fully-automated space platform which could carry out tasks such as materials processing during the 1990s. Another possibility is European participation in a U.S. plan to build a large permanent space station, incorporating components of Spacelab. ESA, which is dedicated purely to the civilian side of space research, is worried however that the U.S. project would have military uses.

According to M Collet, one possible scenario for 1995 would be for a small space platform carrying automatic materials-processing equipment to be operated in tandem with a larger permanent space station. Men from the space station; would be required to visit the "factory" for maintenance and

to extract products—but during normal operations the gravity-free processing would be run by robots.

Second, the type of transportation system to be used, in ferrying men and materials to and from orbit. Europe has developed an independent launch capability—the Ariane rocket—for putting satellites into geostationary orbit 36,000 km above the earth. But for putting objects like space platforms into low-earth orbit, Europe at present is totally reliant on the U.S. space shuttle. To prepare for an era where space factories become commercially important, independence from the U.S. may be required in this second category too.

## Winged

ESA agreed at the beginning of this year on a study programme to come up with new space transportation plans by the mid-1990s to try to meet this strategic goal. Aerospaciale, the French state aerospace company, has already carried out studies (see chart) on a fully reusable two-stage launcher aimed at reaching low earth orbit. The first stage would be recovered as a winged vehicle which would cruise, shuttle-like, back to the launch site, while the second would return to earth after a ballistic re-entry. Significantly, West Germany and France are putting up the most important shares of the roughly £7m cost of the study programme. The UK Government, which regards the concept of space factories as rather exotic and is concentrating funds on telecommunications satellites, is putting up only 4 per cent of the cost—an attitude which the ESA finds "very disappointing."

## Acetal resins

## Du Pont material for April

A TOUGHENED acetal resin called Dextrin ST has been introduced by Du Pont and will be available in Europe in April.

The company says that the material is seven times tougher than untempered acetal resin and about 30 times more resistant to impact.

Under impact testing to destruction Dextrin ST shows

## COMPONENT PROVING

## 'Quake machine in South Ken.

BY ALAN CANE

"SMALL earthquake in South Kensington, not many killed" is the kind of headline guaranteed to send shivers down the backs of consulting engineers Grovenor Reeve and their clients Principia

Mechanica. The two companies are in the final stages of proving a machine for making earthquake tests in the basement of Imperial College, London's Prince Consort Road laboratories.

Earthquake machines are becoming essential to a range of industries—predominantly the building and nuclear industries—which supply structures which must be able to withstand the forces generated in an earthquake—typically involving shocks of the order of one to 30 vibrations a second.

The market for such machines is small and specialised. This page has already noted GEC's test rig at its Weststone laboratory (December 15, 1981) and the linking of Derritron International (June 24, 1982).

Derritron pic, also went into receivership late last year. The Japanese Building Research Unit can shake buildings seven storeys high on its system (September 28, 1982).

The Imperial College is tiny compared with such a monster but it is designed to handle a test part—a valve for a nuclear power station for example—up to four tonnes in weight and two cubic metres in volume.

## Shotblasting Portability development

ABOUT seven years ago a small Surrey company produced what was then described as the first portable room for semi-automatic shotblasting. It could have been fully automatic but that would have required a four foot recovery pit, obviously severely restricting its portability.

Now, after some two years of research and development, Power Blast, Coltingwood Lodge, Camberley, Surrey (GU24 2BB) believes it has cracked the problem with a recovery floor only 150mm deep and mini-elevator to cope continuously with a shotblast unit. Mr H. J. Porter is the man to talk to.

## Interface system Upgraded version

AN UPGRADED version of the DMS50 TEKE-485 compatible measurement and

control interface system is now available from DIAN Micro Systems, based in Stockport. This allows the interface to operate with HP-48, HP-5816 and HP-5828 computers to multiplex and digitise up to 128 channels of analogue input data at rates of over 10,000 samples per second. More details can be obtained from 061 448 9768.

The chief problem was building the machine in the middle of South Kensington. A hole three metres square was cut in the pavement to lower the fittings through and an existing 170 tonne concrete water tank was used as the base block.

Mounted on 24 springs, the block moves to the (energetic) touch. Why springs? Otherwise we would have felled the college and most of its surrounding when the machine was running," Mr Reeve explains.

Principia specialises in seismic qualification, the proving of parts for earthquake-prone installations—it provided part of the cash for the rig, with Imperial providing a site and service in return for use of the rig in research and teaching.

Grovenor Reeve is an idiosyncratic outfit based at Kew which specialises in high quality engineering projects which it tackles on the basis of interest rather than financial reward.

It sounds like a recipe for disaster but Mr Reeve points out: "We have stayed in business while many other engineering firms have suffered badly from the effects of the recession." The fate of Derritron perhaps underlines his point. The company is on 01-948 862

Software Dataview DATAVIEW, the Colchester-based software house, has developed a program to allow cash book systems to be run on a microcomputer. The cash book will run on the Commodore 8000 series including the new SX range and 4000 series with 150mm deep and mini-elevator to cope continuously with a shotblast unit. Mr H. J. Porter is the man to talk to.

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## Farming Package for dairy herds

AN INFORMATION system aimed at dairy farmers has been developed by Reading University. The system is a comprehensive dairy farm management package aimed at a market of around 5,000 farmers.

It handles individual records for herds of up to 700 cows and provides financial and technical information relating to topics such as milk yield, quality, diseases, feeding plans, artificial insemination, health and pedigree.

Originally demonstrated on the IBM personal computer, the package, called Dairy what else?—can be run on any of 60 different computers from the DEC PDP11 to an Apple II. The price of the software ranges from £200 to £500 depending on the choice of options. More information can be obtained from Reading University on 0734 85123.

## Office system Hotel 'Rooms'

AN ELECTRONIC office system called "Rooms" has been launched in the UK by Car Consulting, a subsidiary of Aer Lingus. Rooms has been developed by the Division, the Dutch software house.

Car Consulting says that the system is aimed at small to medium sized hotels. It provides specialist front and back office functions together with word processing, electronic mail, and graphics—all on line.

The system is based on a Motorola/Philips P7000 microcomputer which has the ability to allow networks networking with eight terminals in-house sub-systems such as digital telephone exchanges or point of sale terminals.

The smallest system in the Rooms range is about £40,000. This consists of a three-work stations. A more powerful version with eight terminals, full front and back office management facilities would cost £85,000. More information on 01-743 2821.



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11/01/83	1000	100.00	1000.00	10.00	10.00	100.00
12/01/83	1000	100.00	1000.00	10.00	10.00	100.00
13/01/83	1000	100.00	1000.00	10.00	10.00	100.00
14/01/83	1000	100.00	1000.00	10.00	10.00	100.00
15/01/83	1000	100.00	1000.00	10.00	10.00	100.00
16/01/83	1000	100.00	1000.00	10.00	10.00	100.00
17/01/83	1000	100.00	1000.00	10.00	10.00	100.00
18/01/83	1000	100.00	1000.00	10.00	10.00	100.00
19/01/83	1000	100.00	1000.00	10.00	10.00	100.00
20/01/83	1000	100.00	1000.00	10.00	10.00	100.00
21/01/83	1000	100.00	1000.00	10.00	10.00	100.00
22/01/83	1000	100.00	1000.00	10.00	10.00	100.00
23/01/83	1000	100.00	1000.00	10.00	10.00	100.00
24/01/83	1000	100.00	1000.00	10.00	10.00	100.00
25/01/83	1000	100.00	1000.00	10.00	10.00	100.00
26/01/83	1000	100.00	1000.00	10.00	10.00	100.00
27/01/83	1000	100.00	1000.00	10.00	10.00	100.00
28/01/83	1000	100.00	1000.00	10.00	10.00	100.00
29/01/83	1000	100.00	1000.00	10.00	10.00	100.00
30/01/83	1000	100.00	1000.00	10.00	10.00	100.00
31/01/83	1000	100.00	1000.00	10.00	10.00	100.00
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## UK CONSTRUCTION INDUSTRY

## How sanitaryware is starting to pay off for Blue Circle

By Charles Batchelor

BLUE CIRCLE INDUSTRIES (BCI), Britain's largest cement-maker, is beginning to reap the benefits of the acquisition, just over two years ago, of Armitage Shanks (AS), the Staffordshire manufacturer of ceramic baths, basins and toilet bowls.

The recent £26.5m acquisition of Armitage Shanks, the smallest of the "big four" cement makers, had suggested that BCI was going back to the job it knew best. But the work that has been going on at AS over the past two years reflects the far more fundamental changes that BCI has undergone.

The £25m take-over of AS was BCI's response to a declining UK cement market which forced a move into cement-making overseas and into non-cement activities at home.

By the mid-1970s BCI seemed trapped in a fast-drying mixture of its own product. The company was heavily dependent on a shrinking domestic market which contributed 52 per cent of profits in 1975.

It launched a programme of expansion into cement markets overseas but was hampered in diversifying in the UK by the risk of competing with its own customers. AS appeared to provide the answer to Blue Circle's problems. A well-run, long-established company in a related field it posed a direct threat to Blue Circle's building industry customers.

In the two years since the takeover, the construction industry world-wide has gone into a decline of unexpected severity.

In spite of this downturn, AS has performed even better than expected at the time of the takeover, says Mr John Milne, Blue Circle managing director and chairman-designate.

If anything, the building industry recession has confirmed the logic of the takeover. Blue Circle has reduced its dependence on the UK cement market while AS has been able to expand its own activities, generally producing higher margins, with its new parents' financial backing.

The programme of plant

## The logic of the takeover has been confirmed

modernisation and expansion by acquisition currently under way at AS will not produce its full benefits for another two to three years. But both AS's competitors and its customers, the builders' merchants, report they are now dealing with a sharper, more aggressive company. This was partly necessary response to the tougher market conditions but it also appears due, in part at least,

to a new-found confidence at AS.

"Their marketing is a bit sharper," said a larger builders' merchants. "They have people on the road to persuade local authorities to specify their products in building programmes."

"Ideal Standard is good on price and Twyford has its traditional market position but AS are the go-go boys. The AS product is no better but they are quicker on their feet."

What has the takeover meant for the two companies two years on? Both claim a number of advantages in spite of a decision to allow AS a great deal of freedom within the group structure.

"From the day-to-day point of view there has been no attempt to integrate production or marketing," says Mr Milne.

"We have very much been allowed to get on with running the company in the same manner as before," says Mr Kenneth Shanks, chief executive of AS and a great-grandson of one of the founders. "It was never imagined there would be integration."

While Blue Circle and AS are both in the building supplies trade, they are at opposite ends of the spectrum. Builders' merchants tend to deal either in the "heavy" end of the business, supplying 5,000 tonnes of cement for an airport runway, or the "light" end, supplying

a local plumber with a set of bathroom furniture.

From the technical point of view, however, there are points of contact. Both companies use kilns in the manufacturing process and are large consumers of energy. They have a common experience of handling and mixing raw materials.

AS's profits were rising sharply before the takeover so financial limits were not a curb to growth. However, the backing of Blue Circle has allowed it to move ahead more quickly. It is currently engaged in a £10m modernisation programme and in expanding overseas.

Last April Blue Circle made its first move into the U.S. with the acquisition, through AS, of Kilgore Ceramics Corporation, a Texas company, for \$12.5m (then worth £7m).

AS is now modernising Kilgore's factories, improving its marketing and extending its product range. The purchase has given AS access to a politically stable market which is expected to grow rapidly as housing demand rises in the Sunbelt states.

"We would never have been able to look at Kilgore as well as carry out the modernisation programme without Blue Circle," says Mr Shanks. AS has followed up the Kilgore deal with the purchase of a small Singapore company.

"We are looking at develop-



JOHN MILNE  
He called in McKinsey

ing countries, in Africa for example, where not much sanitaryware is being made," says Mr Shanks. "The problem is so many are unstable. They want free advice and control of the company you set up."

Blue Circle has backed up AS with practical help as well as money. In Mexico, where it has substantial interests, it has introduced AS to its local partners who have supplied useful infor-

mation on the Mexican building industry.

Mr Shanks then identified three or four sanitaryware companies, talked to them and got to know the local market. Other AS executives have made similar surveys of prospects in Chile and Brazil. Exports and possibly local production plant could ultimately result from this.

AS is also looking to the Far East and has far-reaching plans for Australia. It has expanded in Malaysia and Singapore.

AS is holding back in Europe because of the depressed state of the market, which Italian producers have swamped with low-cost products. Opportunities to acquire companies have arisen but AS decided to wait.

Another benefit of the Blue Circle takeover is that AS no longer has to devote a great deal of effort to anticipating a bid.

"In the five years before the Blue Circle acquisition we spent a lot of time looking over our shoulders at predators. We knew we were on everybody's hit list," says Mr Shanks.

Blue Circle's acquisition of AS was not without controversy. The cement group claimed victory in its bid in February 1980. But the prospect of Britain's last major independent maker of bathroom furniture and the largest company in the sanitaryware field being absorbed by

another group prompted the Office of Fair Trading to refer the deal to the Monopolies and Mergers Commission.

In October 1980 the commission cleared the merger on the grounds that it would be unlikely to limit competition, reduce AS's efficiency or worsen employment prospects.

However, Blue Circle was obliged to give assurances that it would not offer favourable terms on bathroom products to win business for other parts of the group. Nor would it encourage AS to cut prices to put competitors out of business.

Blue Circle appears to have stuck to these undertakings. "We were concerned they might force builders' merchants who

## Assurances given on competition to commission

took cement to take sanitaryware," says one rival manufacturer. "This has not happened." One of Mr Milne's first acts when he became managing director of Blue Circle in 1975 was to call in the American management consultants, McKinsey, to develop a response to the decline of the company's traditional cement market. Total UK cement demand has continued to fall and is currently

12m tonnes a year compared with 20m tonnes in peak year 1973.

Blue Circle decided it needed to increase its non-cement activities with a substantial acquisition. At the time of the bid Blue Circle was roughly ten times the size of AS in both profits and turnover. The target company had to be in a related industry with similar production techniques.

The year before it was acquired by Blue Circle, AS reported profits before tax and interest of £5.06m on turnover of £49m. In 1981, the first full year under the Blue Circle umbrella, trading profits, after depreciation, of £6.3m were made and in the first half of 1982 an unchanged £3.2m was reported.

Over the same period — 1979 to 1981 — Blue Circle nearly doubled pre-tax profit from £53m to £104.1m on turnover which rose 42 per cent to £750m.

In the first half of 1982, however, currency movements and devaluations in Chile and Mexico dented profits. They fell £3m to £48.1m on marginally lower turnover of £370m in the six months ended June 30, 1982.

Proof of the vulnerability of these overseas ventures has not prevented Blue Circle from continuing its foreign expansion. But it does highlight the wisdom of the recent diversification at home.

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AND IN THE MATTER OF THE COMPANIES ACT 1948

CREDITORS' VOLUNTARY WINDING-UP

NOTICE IS HEREBY GIVEN, in pursuance of section 300 of the Companies Act 1948, that a General Meeting of the creditors of the above-named Company will be held at Adam House, 14 New Burlington Street, London W1X 3BU on the 25th day of March 1983 at 3.30 o'clock in the afternoon for the purpose of having an account laid before the Members showing the manner in which the winding-up has been conducted and the property of the Company disposed of, and of hearing any explanation that may be given by the Liquidator. A Member entitled to attend and vote at the above meeting may appoint a proxy or proxies to attend and vote instead of him. A proxy need not be a Member of the Company.

AND NOTICE IS ALSO HEREBY GIVEN, in pursuance of sections 300 and 341 (1) (b) of the said Act, that a Meeting of the creditors of the above-named Company will be held at Adam House, 14 New Burlington Street, London W1X 3BU on the 25th day of March 1983 at 3.45 o'clock in the afternoon for the purpose of having an account laid before them, showing the manner in which the winding-up has been conducted and the property of the Company disposed of, and of hearing any explanation that may be given by the Liquidator, and also of directing the manner in which the books, accounts and documents of the Company and of the Liquidator shall be disposed of.

Dated this 25th day of February 1983.

L. J. GERHARD, Liquidator.

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## THE UK BOND MARKET

## The strange time-perspective of a dealing room

By Clive Wolman

MR ERIC CORBEN spends much of his time talking of the next century. Dates like December 31 2007 or November 15 2012 roll off his tongue as if they were entries in his diary for dinner-party engagements.

But Mr Corben is hardly a starchy-eyed visionary unconcerned with the here-and-now. On the side of his screen he has fixed the words: "30 seconds is a long time in the dealing room."

Institutional investors voted Mr Corben and his team of dealers at stockbrokers Gilbert Elliott 1982's top analysts in a market which, after withering away in the 1970s, has begun to stir over the past two years—the UK bond market. The Government sees the market as an important mechanism for financing the regeneration of British industry, believing that corporate bonds, as relatively illiquid assets, do less to boost the money supply and therefore inflation than bank borrowing.

Local authorities were the first to come back to tap the bond market as interest rates began to fall, then foreign governments and then, in a brief flurry last autumn, large UK companies such as BOC, MEPC and Vaux Breweries.

Business has been roaring for Gilbert Elliott and other stockbrokers with the market turnover in company fixed interest stock reaching £703m in the last three months of 1982, almost double the 1981 figure.

But in the past two months there have been only two new issues and the market appears to have run out of steam.

The attraction of the bond market for company treasurers is that, instead of having to keep in constant touch with their bankers about their lines of credit, they can borrow directly from the ultimate

lenders. These are mainly pension funds, insurance companies and other giant institutional investors.

Once the bonds are issued they can be traded. And although their redemption dates may be far away, if any bond finds its price moving out of line even for 30 minutes, it is liable to be swooped upon by Eric Corben. He spends much of his day, darting from computer print-out to screen, from calculator to telephone, to negotiate a bargain in quiet undisturbed form.

"He won't take 25¢ for 250 thou Pearson 97s—he wants 1¢," says a worried junior. "Give him 13/32," replies Corben swiftly.

The price of a bond is always set at a margin above that of a comparable gilt-edged security. The margin is necessary because the creditworthiness of companies is less than the Government's and because gilts are more marketable and are granted tax advantages. The margin varies from company to company but in general has widened since September and is much wider than in the 1960s, perhaps because of the shakier state of UK industry.

An opinion poll showing the Tories ahead, a fall in the monthly Retail Price Index or a rise in the value of sterling will all boost the price of gilts because inflationary expectations are lowered. Or rather the dealers believe they are—and that is enough.

Bond dealers endow their wares with the same individuality as their counterparts in Hatton Garden or Sotheby's and they have similar prejudices about them. The recently-issued Inter-American Bank 13½ per cent 2003 have been christened the "Belgrates" because the bank lends to Argentina—and despite the AAA rating of the bank's paper in the U.S., its London price is languishing as a consequence. When word got



Eric Corben in the Gilbert Elliott dealing room in the City

around that Islington Borough Council wanted to buy back some of its own next-century bonds, some dealers immediately marked up the price. "We didn't see why we should let those Commies get their stock back cheaply," said one. An issue by the Mid-Sussex Water Company last month was massively undersubscribed because of the water strike.

Brokers often advise one client to buy a bond and another to sell the same stock, thus allowing them to bypass the jobbers. Most commonly the reason is tax, which explains much of the peculiar behaviour of the dealers. Pension funds, for example, have recently been buying up the new high-coupon bonds, as they don't have to pay tax on the interest received.

And selling their old low-coupon bonds dating from the 1950s and 1960s to tax-paying institutions.

If the tax system and the constantly changing expectations of inflation provide the bond

dealers with more work by boosting the amount of trading, they are also primarily responsible for the diminutive size of today's UK corporate bond market.

The taxman has made one important concession to bonds: companies may deduct the interest payments from their taxable profits. And in the forthcoming Budget, the Chancellor is likely to give companies more incentive to follow their U.S. counterparts by issuing bonds with low or zero interest payments and an increased final redemption payment.

The companies will be allowed to treat the final repayment as if it were a series of tax-deductible interest payments made over the life of the bond (calculated on a compound accruals basis). But the holders of these deeply-discounted bonds would also be taxed on the national interest payments they were deemed to receive—the

principle of symmetry.

The Revenue points out that loan capital is already given a substantial advantage over share capital—for dividends to shareholders cannot be offset against corporation tax. But bond enthusiasts complain that bonds cannot compete with gilts for the attentions of tax-paying individual and institutional investors. Since 1968, profits from gilt holdings have normally been exempt from capital gains tax (now index-linked).

Of greater significance is the issue of low-coupon, deeply-discounted gilts where the holder is not obliged to pay any tax on the national interest payments. "These Treasury-sponsored tax avoidance schemes should be ended," said Mr John Kay, director of the Institute for Fiscal Studies.

Over the last year, the Government has refrained from issuing any high-coupon conventional gilts at the long-dated end of the market to leave the arena free for companies.

It has also tried to stop government debt crowding out private investment. As Lord Camoys, managing director of Barclays merchant bank, said: "The ending of the tax advantages of gilts over bonds would be the logical conclusion of the present Government's policy of encouraging private sector investment by bringing down the Public Sector Borrowing Requirement."

It is inflation, however, that lies at the root of what Lord Camoys calls "the psychological illness" of the UK long-term interest market. Investors, he says, are frightened after their experience of mid-1970s inflation which wiped out most of the value of their low-coupon bond holdings. Now they are demanding high interest rates, 8 to 9 per cent higher than the current inflation rate, to insure themselves against a long-term resurgence of inflation.

On the other side, the frequent bond issues of the 1960s were brought to a sudden end with the rise in interest rates in the early 1970s. In November, the sudden reversal of the trend towards lower interest rates was the main reason for the loss of momentum in the bond market. Said another director of Barclays merchant bank, Mr Jonathan Scott: "There seems to be a consensus among corporate treasurers that if they could get funding at 10½ or 11 per cent interest, this would be the trigger point and you would find companies coming to the market."

Mr Alan Hinkley, director of the international division at County Bank, is more sceptical: "Corporate treasurers are not used to making long-term commitments. They keep postponing and postponing, believing interest rates will come down just a bit more. In the U.S., companies carry a fixed-rate financing by spreading their

bond issues over a period of time."

In September after a fall in inflationary expectations and interest rates, the BOC Group was the first industrial company to return to the bond market with a 12½ per cent £100m unsecured loan redeemable in 2012 or 2017. Mr Richard Wakeling, group treasurer, said: "We have a policy here that when we see rates come down to a bearable level, we jump in."

By contrast, Thorn-EMI, the electronics group, has only £10m of its £270m debt in the form of loans not repayable for more than 10 years. It was preparing to issue a long-term bond just before Christmas, but backed down when interest rates rose again. "Our limit was 12 per cent," said Mr Harold Mourgue, finance director. "The concept of 25-year money is possibly outdated anyway. Eight-year money makes more sense. We do not

## Index-linked bonds

'frighten me... so much could happen'

have the same long-term matching investments as BOC."

But why have all UK companies shunned the suggestions made by several merchant banks that they could insulate themselves from fluctuating inflation and nominal interest rates by issuing index-linked bonds at 3½ to 4 per cent real interest rates?

Mr Mourgue said: "I get frightened looking at index-linked bonds. So many things could happen to prevent the prices of our products from keeping up if there was a period of hyper-inflation."

According to Mr Tom Quinn, a stockbroker at Greenwell's "Corporate treasurers aren't

innovative and the disciplines involved in issuing bonds, some analysts have suggested that companies may as well continue to rely on bank borrowings. These typically have to be rolled over every few months and bear floating interest rates, set at a margin above the inter-bank rate. But the major clearing banks are increasingly willing to give companies medium-term loans of seven to 10 or even 15 years, occasionally at fixed rates. Such loans provide companies with the assurance that the carpet cannot be pulled from underneath them. A health-checking debt maturity profile is comforting to trade creditors.

In a paper published last month, Mr Tim Congdon, an economist at stockbrokers L. Messel, argues that the spate of bond issues in the autumn may have done more to promote bank lending than it has to promote the corporate bond market. The banks raised \$360m in long-term finance whereas industrial and commercial companies raised only \$265m, he estimates. But, as the banks' borrowed money is subordinated and treated as part of their capital base, this has increased their lending potential by over 54m.

Mr Hinkley believes that institutional investors should be developing their expertise in rating bonds. "Even private investors should be buying bonds if we want to get a proper capital market going," he says. "The newspapers could provide information and advice for ordinary people."

## APPOINTMENTS

## New McLeod Russel chairman

At a board meeting of McLEOD RUSSEL Sir John Jardine Paterson resigned as chairman but will remain a non-executive director. Mr John Girdle was elected chairman and Mr Trevor K. Faris and Mr Kevin C. McCabe were appointed directors.

Mr R. V. Jones, managing director of the group's international division, has been appointed to the board of GUINNESS PEAT FINANCIAL SERVICES. Mr Jones has been with Guinness Peat's activities other than merchant banking and insurance broking.

Mr M. R. Cornwall-Jones has been appointed deputy chairman of ECCLESIASTICAL INSURANCE OFFICE.

At Supra Group Mr Alan Edis, commercial director, has been appointed managing director of SUPRA AUTOMOTIVE. He joined the group 18 months ago after eight years as a director with British Leyland. Mr Peter Dighton remains sales and marketing director of the automotive division. Mr Anthony Long has joined the group as director and general manager of the electrical products manufacturing centre at Burton Latimer. He joins Supra after 10 years with DMI Radiators.

RICHARDS, LONGSTAFF (UNDERWRITING AGENTS), a new company, has been added to the register of Lloyd's underwriting agents as a members' agent. The directors are: Mr S. E. Scraps, Mr R. N. Land, Mr B. N. Douell, Mr A. I. Bremner, Mr R. T. W. Naton and Mr J. M. Greenier.

LAKE AND ELLIOT FOUNDERS AND ENGINEERS, Braintree, has appointed Mr Jim

Cara as managing director. He was appointed director and general manager 2½ years ago.

BARRATT DEVELOPMENTS, has appointed Mr Michael Norton as group sales and marketing director. In succession to Mr John S. R. Swanson who is now chairman of Barratt American Inc. Mr Norton joined the Barratt Group in 1977 as managing director of the Bristol subsidiary, and became deputy chairman of Barratt Northern.

Lord Carrington is to rejoin the board of CADBURY SCHWEPPES as a non-executive director. Lord Carrington was a member of the board until 1979 when he was appointed Foreign Secretary.

Mr A. G. B. Young has been appointed an adviser to WILLIAMS AND GILBY'S BANK on the Far Eastern area. He is co-chairman of the Anglo-Indonesian joint working party on trade and investment and a member of the South East Asia trade advisory group of the British Overseas Trade Board. He was formerly a director of Arbutnot Latham Holdings and is a director of a number of other companies.

Mr Ross Gibbons is to join the board of AMALGAMATED DISTILLED PRODUCTS in April. He will be appointed managing director of that company and will also join the board of Barton Brands, ADP's U.S. subsidiary. Mr Gibbons was a director of Grand Metropolitan and chief executive of its leisure division.

A Midland Bank branch is being built in Milton Keynes by JOHN WILLMOTT (BEDFORD) under a contract worth about £117,000. Willmott are fitting out

an existing office building to form the new branch premises, which is part of a large commercial block in Silbury Court, Silbury Boulevard. Completion is due in April.

Mr Peter Bernard Kaye and Mr Charles Kenneth Walsh have been appointed directors of ARENSON GROUP.

MATTERSON of Rochdale is to supply a 12 tonne high specification crane and supporting steelwork worth £30,000, to the North of Scotland Hydro-Electric Board for plant assembly and maintenance of a steam turbine generator being installed at the Lerwick "B" generating station on Shetland.

Mr James Blyth has joined the board of SILENTLIGHT HOLDINGS as a non-executive director. He was appointed to the board of United Biscuits (UK) in 1972 as commercial director and in 1976 to the board of United Biscuits (Holdings) as group finance director.

Mr P. W. E. Holmes, general manager, has been appointed to the board of RABARDO CONSULTING ENGINEERS. Mr M. C. Gibbons has been appointed deputy managing director of Ricardo's subsidiary, G. CUSSONS, and Mr C. F. Stoddard has been elected to the board as technical director.

Mr Bob Macfarlane has been appointed managing director of LEECH HOMES (SCOTLAND), the Falkirk-based member of the Williams Leach Group. Formerly in charge of Tyneside-based Leech Construction, he was personal assistant to Mr Peter Milburn, managing director of Leech Homes, immediately prior to his Scottish appointment.

## NOTICE OF REDEMPTION

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Notice is hereby given that the entire remaining principal amount of the Debentures are called for redemption on April 1, 1983 at the redemption price of 101% of the principal amount together with accrued interest thereon to April 1, 1983. The redemption price will be due and payable on April 1, 1983 and interest on the Debentures will cease to accrue on and after such date.

Any holder of the Debentures has the right to surrender such Debentures for conversion into fully paid and non-assessable shares of Harris Corporation Common Stock at the rate of 65.98 shares of Common Stock for each \$1,000 principal amount of Debentures. Such right shall terminate at the close of business on April 1, 1983.

Debentures presented for conversion prior to April 1, 1983 must have all coupons maturing after the conversion date attached. For Debentures presented for conversion on April 1, 1983, the April 1, 1983 coupons can be detached and presented for payment in the usual manner, but all coupons subsequently maturing must be attached.

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Harris International Finance N.V.

March 2, 1983

# HOW GAS HEATED BIRKENHEAD MARKET FOR

## 3/4 Price

## 1/2 Price

## 1/4 Price

As a region, the Wirral has an impressive record for energy conservation, dating from the building of one of Britain's first solar-heated schools in 1961.

But recently, its Metropolitan Council has worked to produce savings in existing buildings, with the help of the North West Gas Technical Consultancy Service.

Birkenhead Market Hall, originally designed with plenty of fresh air in mind, called for more flexible heating controls and changes in the ductwork for warm air recirculation.

The sheer size of the savings was quite a coup: the Hall's heating system is now running on less than a quarter of its previous gas consumption.

But just as important, the capital outlay was recovered in a mere four months.

Birkenhead Market Hall was only one of five projects where the Metropolitan Borough of Wirral studied and reduced energy use in existing buildings, from schools and leisure centres to a town hall.

British Gas can show you many other case histories where impressive economies have been made. For energy conservation is not only in the nation's interest; it can also be highly profitable.

Contact your regional British Gas office and we'll help you look at your own use of fuel.

The sooner we can start, the sooner you'll start saving.

There are, after all, as many ways of conserving energy as there are of using it.

But the rewards of a smaller fuel bill are the same for everyone.

**BRITISH GAS**  
DON'T WASTE YOUR ENERGY

## UK NEWS

# Tebbit plan to 'inhibit' essential service strikes

BY JOHN LLOYD, LABOUR EDITOR

MR NORMAN Tebbit, the Employment Secretary, yesterday confirmed his intention to develop some mechanism for curbing strikes in essential services.

Last month, Mr Tebbit hinted during an appearance before a House of Commons Select committee on employment that plans for such a mechanism could form part of a future Conservative manifesto.

In reply to questions in the Commons yesterday Mr Tebbit said he wished to "inhibit the propensity of people to strike in the public essential services" but stressed he did not intend to outlaw the right to strike.

Replying to hostile questions from Labour MPs, Mr Tebbit said "the public would want me to consider" such a mechanism.

He said he had no vendetta against the unions, adding: "I have every intention to do what I can to ensure that the members of trade unions are assured of their rights in relation to politically motivated leadership which often forces them out on strike and acts against their best interest."

Mr Tebbit was criticised by Mr Jack Ashley (Labour) who said legislation against the trade unions might bring a short-term victory "but it really will end in a long-term



Tebbit: no vendetta against unions

disaster for industrial relations."

The British Institute of Management yesterday called on Mr Tebbit to revise the law on industrial action in essential services.

In a letter to Mr Tebbit, Mr Roy Close, the BIM's director general, said that a survey of managers showed they wished industrial action prohibited in advance in key industries such as gas, electricity, water, fire and health services, police and armed forces. This would be balanced by a comparability

mechanism for pay and recourse to arbitration.

● A warning to Mrs Margaret Thatcher, the Prime Minister that rising unemployment in Northern Ireland is directly boosting support for the IRA and other paramilitary groups was delivered yesterday by Mr Clive Soley, Labour's spokesman on Northern Ireland.

In a letter to Mrs Thatcher, Mr Soley appealed for extra government spending in the province to halt the downward economic political spiral.

The province's industrial base could already have been damaged beyond recovery, he said, pointing out that in what was once the most prosperous industrialised part of Ireland, there were 30,000 more people on the dole than were employed in manufacturing industry.

Northern Ireland was suffering from higher and more lasting unemployment, higher retail prices and lower wages than any part of the UK. "An alarming number of people are finding themselves unable to feed their children without being driven into debt," he said. "It is a question of poverty, and unfit housing and inadequate social services. Unemployed young people are easy prey for the recruiting officers of the paramilitary

## Job losses 'will rise for next five years'

By Max Wiskison

UNEMPLOYMENT will continue to rise steadily in the UK for the next five years, the Henley Centre for Forecasting predicts in its latest economic review.

The centre believes that by 1987 adult unemployment will have reached 3.5m, some 700,000 more than the average figure for last year. It agrees with several other independent forecasters that economic recovery in the UK is likely to be considerably weaker than for the industrialised world as a whole.

It thinks output in the current year will be 1.7 per cent higher than in 1982, and that growth will reach its fastest rate of 2.7 per cent in 1984 before declining to less than 1 per cent in 1986.

The centre believes there will be a further depreciation of the pound this year to bring its average value for the year against a trade weighted basket of currencies to 15 per cent below its level for 1982. Thereafter it predicts a slow fall in the effective value of sterling by about 4 per cent to 5 per cent a year.

# Talbot UK loss cut to £55m

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT, IN GENEVA

TALBOT UK the Peugeot subsidiary greatly reduced its net loss last year to £55m, down from £91m in 1981. M Jacques Calvet, vice-president of the Peugeot-Citroën-Talbot group said yesterday.

Talbot UK, he predicted, should do better in 1983, and the net loss was likely to be reduced by two thirds - indicating a deficit of £18.5m.

Speaking at the Geneva Motor Show, M Calvet said his company was actively considering a number of options "to protect the Peugeot group's position in Britain."

He did not go into details, but it is understood that some executives in Peugeot's Paris headquarters are considering whether the company needs two assembly plants in Britain.

On the other hand, it is believed that the Talbot UK management is pressing for expansion and for a new product to be introduced to the Ryton, Coventry, assembly point. This would be the Peugeot 205, a "super Mini" which competes with cars such as the Austin Metro, Ford Fiesta and Renault 5. The 205 was launched in France last month and orders are running ahead of expectation at 1,000 a day.

Ryton assembles the Horizon, the Alpine and the Solara from French kits for sale in Britain. If Peugeot gave the go-ahead for 205 assembly, more jobs would be

created at the plant, but Talbot would want to attract further UK Government financial aid.

Peugeot's original intention was for the 205 to be built at Mulhouse, Alsace, and eventually at the Talbot plant in Villaverde, near Madrid in Spain. A decision on UK assembly would have to be taken by mid-

summer to prepare Ryton for 1984 start up.

Imports of the 205 to Britain are scheduled to start in September and Talbot hopes to capture about 1.5 per cent of total new car sales with the product, indicating annual registrations of about 25,000.

M Calvet said yesterday that Tal-

bot UK's 1982 losses were mainly attributable to difficulties with the contract for supply of car kits from Britain to Iran, but there had been a major inflow of orders this year.

According to Talbot UK, the Iran National Company, which assembles the kits from Talbot's plant at Stoke, Coventry, is pressing for delivery of 95,000 kits this year.

This compares with a previous schedule for 1983 of about 75,000-80,000 and the 40,000 shipped in 1982. Break-even output on the contract is understood to be 60,000 a year.

M Calvet maintained that the Peugeot-Citroën-Talbot group as a whole expected at least to break even in 1983. The indications are that the group will declare losses of around FFfr 2.3bn (\$338m) for 1982, against losses of FFfr 1.99bn the previous year.

Apart from improvements in the UK this year, there should also be a better result from Talbot Spain where a referendum among the workforce has led to an agreement for a 48 per cent reduction (of 4,600 out of 10,000) in jobs over the next three years.

M Calvet said the Spanish government was giving "very substantial" financial assistance for the de-managing programme as well as towards the investment required to add 205 assembly facilities at the Villaverde plant.

## Hopes rise for Vauxhall import

GENERAL Motors yesterday came a step closer to importing a Spanish built car into Britain

and calling it the Vauxhall Nova. Throughout Europe the model is called the Opel Corsa.

Yesterday nearly 2,000 members of the Transport and General Workers' Union at Vauxhall in Ellesmere Port, Cheshire voted to lift their ban on the car

which is due in the showrooms at the end of next month. Union leaders had pledged to oppose import of the car to project jobs.

This move follows talks between unions and management resulting in an announcement that output at Ellesmere Port, where Chevettes are manufactured and Astras assembled, is to be increased from 35 to 38 an hour this Easter. By August next year the company hopes to reintroduce double shift working.

The engineering union, the largest at the plant with 2,200 hourly paid workers, meets next week to discuss the plan. So far their shop stewards have been totally opposed to the Saragossa-made car being imported and have threatened to have it blocked by port workers.

The union wants the car to be built at Ellesmere Port where there have been more than 3,000 redundancies in recent years.

After yesterday's meeting the company said it was "encouraging" but declined further comment until after the engineering workers had met.

Vauxhall/Opel has a 14 per cent share of the UK market. Last year the company's sales increased by 43 per cent against a general rise in the industry of only 4.7 per cent.

## Sharp in European search for VCR site

By Robin Reeves

THE JAPAN-based Sharp Corporation is studying the possibility of establishing a major video cassette recorder (VCR) manufacturing plant in Europe.

Senior officials from the Osaka-based company have visited potential component suppliers in Wales in the past few days. They indicated that the project could eventually involve the manufacture of up to 750,000 VCRs a year.

However, the company is understood also to be examining potential sites in the north of England and Scotland, however, and on the Continent, before coming to a final decision on the project. Reports of Sharp's investigations were neither confirmed nor denied yesterday by senior officials at the Welsh Office and the Welsh Development Corporation, which is responsible for attracting investment to Wales.

The attractions of South Wales for Sharp include the fact that the region already has four well-established Japanese consumer electronics companies - Sony, Matsushita's National Panasonic, Hitachi (in partnership with GEC) and Aiwa.

Both the Sony and Matsushita plants have expanded considerably since the companies made their initial investment in colour TV manufacture, but so far neither has indicated that its Welsh operation might diversify into VCR production, despite the current rapid expansion in the UK video recorder market.

## Breakfast TV chiefs deny crisis at channel

By Raymond Snoddy

MR PETER JAY, chairman of TV-am, told his staff yesterday they had the confidence of the board and the confidence of the investors in the commercial breakfast channel.

At a morning meeting designed to dispel any depression caused by the latest fall in viewing figures, staff were reportedly told: "Don't panic. We're here to stay."

TV-am said later there was no crisis of confidence despite the fact that the latest figures show that the BBC morning television programme is attracting five times more viewers than TV-am.

The latest figures for the week ending February 27 show that the TV-am audience has dropped to about 300,000 while the BBC had increased the audience for its "breakfast time" by 200,000 to 1.8m.

TV-am pointed out yesterday that the viewing figures referred to average viewers per quarter hour and channel researchers were at present working on the cumulative total for total number of viewers per programme.

Barclays Merchant Bank which has a 10 per cent stake in TV-am said yesterday: "We are concerned at the fall in the viewing figures for TV-am but we have confidence in the management and in the positive steps they are taking to improve the situation."

Considerable internal research was also being carried out to try to explain the "massive discrepancy" between the size of the TV-am audience and that of the BBC, it said.

## Building societies to share cash points

BY MICHAEL CASSELL AND ALAN FRIEDMAN

BRITAIN'S building societies have decided to step up their competition with the banks by pushing ahead with a nationwide system of shared cash dispensers.

The proposal, which may start next year, is the building societies' latest attempt to attract deposits.

In the past week alone the Leicester Building Society has teamed up with the Post Office's National Girobank to offer Leicester accounts through 20,000 Post Office bureaux, and the Abbey National Building Society has launched a chequebook account in conjunction with the Co-operative Bank.

After a six-month investigation, including a first-hand inspection of automated teller machines (ATMs) in the U.S., a Building Societies Association study group has concluded that a shared ATM network in the UK could be successful.

Mr Peter Lamb, a general manager at the Leeds Permanent Building Society, who chaired the study group, said the prospect of a shared system has generated a great deal of enthusiasm and the search for a suitable scheme was being treated "as a matter of urgency."

He was convinced that societies would have to move into the payment services sector if they were to grow.

Already the study group has attracted interest from companies and organisations as diverse as Citibank Savings (the UK subsidiary of America's Citicorp), British Telecom, the National Girobank, a National Westminster Bank computer services subsidiary, the Co-operative Bank and major computer hardware suppliers, such as NCR.

The establishment of a national ATM network for as many as 6,500 building society branches could create contract opportunities worth tens of millions of pounds for some of the participants. Others might join in such a scheme to expand their own personal financial services on offer to the public.

The building societies have yet to decide whether to adopt a system for their exclusive use or whether to share with other financial institutions. Alternatively, they could make arrangements with a third party such as British Telecom.

The societies must also still decide whether the system will provide cash withdrawal facilities or a wider range of services.

Citibank, which has the technical experience of running its own ATM network in the U.S., has held discussions with the building societies study group. It has also had tentative talks with the Post Office and is believed to favour a consortium including National Girobank.

A Citibank executive said: "The building societies are going to try to offer a full range of banking services over a number of years. Citibank can offer logical assistance." There are 40 branches of Citibank Savings in the UK.

A British Telecom spokesman said: "We are discussing ATMs with the Building Societies Association. We are interested in them and have put to the societies outline proposals which, at this time, we are treating as commercially confidential." Centre-File, a NatWest computer services subsidiary, said it had also been involved in discussions. NatWest said no conflict of interest was involved.

# Can you credit it?

## Now retailers can check out Visa cards in 25 seconds-via National Networks

This Transaction Telephone is already in operation in famous London stores.

For all card transactions, the customer's Barclaycard is passed through the slot at the back of the telephone.

This automatically connects the telephone with the Barclaycard computer centre, using British Telecom's Packet Switched Service. The computer checks the card and returns an authorisation code which appears on the telephone's display.

If there is any problem, the retailer and Barclaycard authoriser are automatically put into telephone contact.

The telephone can handle all the major credit cards, including Access, American Express and Diners Club. It also doubles as an ordinary telephone.

The Packet Switched Service uses new digital systems that enable a large number of discrete messages to share a single transmission path. It is one of many advanced techniques used by National Networks to provide complete communications capability for British business.

Our integrated teams of specialists bring to bear all the multi-disciplinary experience of British Telecom—one of the 'big four' in world communications. Thus, services, products, financing, maintenance and support for any form of communication—voice, data or text—can be tailored precisely to each customer's needs. How to contact us? Simply ring our central enquiry point on 01-623 5131.

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## THE MANAGEMENT PAGE

## BUSINESS PROBLEMS

BY OUR LEGAL STAFF

## Original copy

I am a company secretary. The Registrars, who are a subsidiary of a clearing bank, have refused to accept a photocopy dividend mandate lodged by a local authority which informs me that similar mandates have been accepted by other registrars. Our legal advisers support our Registrars in their view that a photocopy is not a signature.

(a) Are our Registrars right to refuse to accept a photocopy bank mandate?

(b) What minimum additional documentation (such as a signed letter of authority) could be lodged with the Registrars to enable them to accept the mandate?

We think that the Registrars are strictly correct. The fact that other registrars do not insist on original signatures does not detract from the propriety of their stance. A fresh, or duplicate, mandate with an original signature would resolve the position.

## Tax on futures profits

I have losses accruing from gold futures. Your recent article entitled "A weekend break before the Budget" (February 5) indicates such losses can be offset against capital gains.

I have read elsewhere that the Inland Revenue regards futures profits as taxable as income not as capital gains on investment. Under which tax category do my futures losses fall?

Clive Wolman's article should not be taken too literally. It was intended as an aide memoir, not an explanation of technical points.

As we have mentioned from time to time (eg in our Business Problems column on October 13, under "Schedule D or capital gains"), a loss on your futures contracts may well be regarded as allowable only against Case VI profits.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

## Okuma Machinery

## Going full tilt with electronics

BY IAN RODGER



Takeo Okuma's factory is a showcase for the company's advanced technology. This flexible manufacturing system (FMS) consists of seven machining centres capable of machining 95 different types of components. The system works automatically around the clock, overseen by only one or two operators at a time.

ALL THE familiar danger signals are there.

A formerly obscure manufacturer has suddenly enjoyed phenomenal growth — sales quadrupling in five years and assumed a leading world position in its sector.

Its share price has soared and two new equity issues have easily been sold to eager buyers. The company has taken advantage of its new fortune to build a gorgeous head office building (finished with pink bricks). A new corporate logo and accompanying glossy literature have been produced and the directors have acquired a certain sartorial splendour.

"Sell!" comes the cry from portfolio managers everywhere. And, sure enough, the shares drop, falling more than 40 per cent from their early 1981 peak. Profits are expected to be off 45 per cent in the year to March, 1983.

But wait. This is a Japanese company and, as in so many cases, things in Japan are different.

It would be rash to conclude from the telltale Western signs of corporate decay that machine tool maker Okuma Machinery Works was in trouble or losing its competitive position.

The company is indeed having a difficult time this year, but its problems are paltry in an industry plagued with bank ruptcies and loss-makers.

Production at the new 150,000-sq-metre factory outside Nagoya is down only 20 per cent and workers are still doing some overtime.

Okuma's relative strength can be traced to three main factors. The most important was the company's courageous decision in the early 1980s to try on its own to harness electronics to machine tools. It became a pioneer in the development of numerical controllers and then one of the first producers of computer numerical controllers in the early 1970s.

Secondly, Okuma restricts its product line to a small range of computer controlled lathes, machining centres and grinders. And thirdly, it keeps a tight rein on its borrowings. "Machine tool demand fluctuates so much that we don't like to be in debt," says Hajime Okuma, a senior director.

The last balance sheet at

March 31, 1982 showed long term debt of only ¥160m (£430,000) compared with shareholders' funds of ¥29.2bn (£78.9m).

While Okuma's prominence is relatively recent — it is now among the top 10 machine tool makers in the world in terms of sales — and claims 30 per cent of Japan's market for CNC lathes — the company has been around for a long time.

Founded in 1898 in Nagoya by an inventor, Eiichi Okuma, it has manufactured a wide range of machinery over the years but has concentrated on lathes and milling and grinding machines.

Okuma went public in 1918. Members of the Okuma family still manage the company but their shareholding is down to less than 5 per cent. Foreign investors have acquired just under 10 per cent, mainly as a result of two issues of European depositary receipts in the past three years.

Okuma has long had a reputation for innovation and, as sometimes happens in such companies, there has not been much emphasis on marketing, and sales and profits have fluctuated significantly. The company suffered operating losses as recently as 1978 when there were numerous board changes and what Mr Okuma

called "drastic changes" in the organisation, including the installation of his father, Takeo Okuma, as president.

The most important moves, he says, were aimed at improving productivity through better labour relations and at improving product quality and marketability.

"Our products used to look like they were made by professors, and they were."

Okuma says the number of customer warranty claims has been reduced by 40 per cent in the past four years and customer service improved through the establishment of parts depots in New York and Düsseldorf.

But Okuma's major underlying advantage was having been in at the start of what the Japanese like to call "mechatronics."

Most machine tool makers had been unwilling or unable to explore on their own the alien electronic technology and its potential. Thus, when computer controlled machines began to achieve significant market penetration, they had no choice but to buy controllers from computer manufacturers, such as Fanuc and General Electric.

Okuma, on the other hand, had developed its own machines, and its sales of NC and CNC machine tools soared from ¥7.5bn in 1976-77 to ¥48.7bn in 1981-82.

Okuma remains one of very few machine tool makers in the world that makes its own controllers. The company considers this an important marketing asset, as is reflected in its promotional slogan, "Your single source for machine and control." Until last year, it refused to sell its controllers to other machine tool manufac-

turers, but now these sales are helping to offset the fall in machine orders.

The success of its CNC tools has enabled the company to streamline its product line and streamline its marketing efforts. Its range consists of seven CNC lathes, four machining centres, an NC boring machine and six grinders, two of which are computer controlled.

Already in 1977, NC and CNC tools accounted for 70 per cent of total sales and now the figure is closer to 90 per cent. Most of Okuma's conventional machine tools are now made under licence by a Taiwanese company.

Specialisation and volume production have become important factors in surviving in the highly competitive machine tool industry and Okuma now concentrates much of its development effort on improving its existing products. It has just completed a major improvement of its control system, for example, and has developed for its machines a DC servo motor that works without brushes and so reduces wear.

The company is increasingly active in designing turnkey flexible manufacturing systems (FMS) based on its turning machines and machining centres, and it has invested some effort in developing robots.

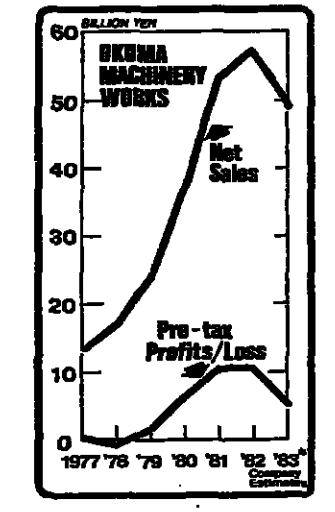
But it appears to have decided for the moment to restrict robot manufacture to the quantity needed for its own FMS business.

Okuma is sensitive to complaints in the U.S. and Europe about severe price cutting by Japanese producers, but claims it has not been guilty.

"We stick to our list prices which tend to be about 10 per cent higher than those of other Japanese manufacturers," Okuma says, and outside observers confirm the company's integrity.

The company has considered setting up manufacturing operations outside Japan either by acquiring a company or starting a greenfield project but has concluded it would be better to establish joint ventures.

"We have been talking with several U.S. and European builders and expect to reach agreements both in the U.S. and Europe within the next three months," Okuma says. That too sounds like a familiar signal but perhaps Okuma will maintain its pattern of being different.



## BOND DRAWINGS

## KINGDOM OF DENMARK US\$25,000,000 5 1/2 %

## 20 YEAR EXTERNAL LOAN OF 1964

HAMBROS BANK LIMITED hereby gives notice that in accordance with the terms and conditions of the above loan, the redemption for 8th April 1983 has been effected by the purchase of US\$2,000,000 (nominal) and the under-mentioned bonds amounting to US\$1,444,000 (nominal) were drawn on the 24th February 1983 for redemption at par. The outstanding balance after the 8th April 1983 redemption is US\$1,444,000 (nominal).

The draw bonds may be presented to Hambros Bank Limited, 41 Bishopsgate, London EC2P 2AA or to the other Paying Agents named on the bonds.

Bonds surrendered should have attached all unexpired coupons apparent thereon. Coupons due 8th April 1983 should be detached and collected in the usual manner.

For payment in London bonds will be received on any business day and must be left three clear days for examination.

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## ART GALLERIES

ACHIM MOELLER LTD., 8, Grosvenor Street, London, W1, 01-493 7611.  
1010, Fifth Avenue, New York, NY 10018, (212) 684 1481. (Grosvenor and American Masters of the 19th and 20th Centuries.)

## LEVERIE GALLERY, 30, New St., W1.

Paintings on view. Mon-Fri, 10-5 and Sat. 10-12.25.

## WHITECHAPEL ART GALLERY, 51, 01.

Whitechapel, London, E1, 01-734 1111. (Art and sculpture. Open exhibition. Sat. 10-12.25, Sun. 10-5.)

## EXHIBITIONS

COLHAGEN, 14, Old Bond Street, London, W1, 01-493 7611. (English and Continental. Until 31st March. Mon-Fri, 10-5, Sat. 10-1.)

## CLUBS

RYE has opened the other because of a fire. Open from 10-12.30. Open and closed. (Grosvenor and American Masters. 185, Regent St. 01-734 0557.)

RAMON'S NIGHTCLUB-RESTAURANT, 42 Old Street, W1. Where many a business deal is done. Open from 10-12.30. Open and closed. (Grosvenor and American Masters. 185, Regent St. 01-734 0557.)

## COMPANY NOTICES

## TOKYO SANYO ELECTRIC CO. LTD.

## (CDR) LTD.

## NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRs)

Referring to its advertisement in this paper of 28th November, 1982, the undersigned announces that the original shares of the company have been received.

On 28th March, 1983 one new CDR Tokyo Sanyo Electric Co. Ltd. has been issued to the holder of the EDR.

The EDR is now valid and will be available at the company's registered office in London, 100, Broad Street, EC2M 6JL, from 10.00 am to 5.00 pm on 13th April 1983.

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## THE ARTS



Minipoppers: having a whale of a time  
Television/Chris Dunkley

## Pepping up the spice of life

Dear Cecil Korer,

When James Moir became head of variety in the BBC's Light Entertainment Group 16 months ago I wrote him an open letter in this column about the state of so-called variety shows on television. I say "so-called" because one of my main complaints about shows of this sort has always been their striking lack of variety.

Among the first television reviews I ever wrote was one about a Shirley Bassey showcase programme on BBC1 called *Singing Special* during which the star sang among other things, "This Is My Life." That was in 1970. Here we are 13 years later and tonight at 8.00 ITV is screening the showcase programme *Shirley Bassey: A Special Lady*. And in case anybody thinks that only ITV has been making time it is worth noting that in *Real Squire* on BBC1 on Saturday night—another typically conventional showcase programme—the star sang, among other things, "This Is My Life."

What is more, Shirley Bassey's guest star tonight is pianist Richard Claydeman, a shiny blond Frenchman with a shy smile and a double-breasted blazer who has upped his income approximately a thousandfold by simply abandoning Bach and Brahms and settling instead for Bacharach and Bernstein.

Nothing wrong with that, the competition at the Bach level is decidedly feeble, since Russ Conway faded, television has not had a really popular provider of piano slush apart from Liberace, who is something rather different. However, Claydeman was also the star guest on the first of a new BBC2 series last Thursday called *Grace Kennedy*—another typical star singer showcase.

Grace Kennedy's other star guest (there is no category of guest below that of "star") was Bonnie Langford, who then turned up as one of the "top stars" on Saturday's *Woman*. Next season we can presumably expect *The Bonnie Langford Show* and a *Royal Cuckoo* Special with star guests Shirley Bassey, Terry Wogan and Grace Kennedy—that, it seems, is what "variety" means to a television producer.

But why address all this to you? After all, even though you have spent 25 years in light entertainment and were until last year senior editor in the BBC's Programme Purchasing Department, you are now chief of Humphrey Davis as father Billy Rose and Frances Cuka as Archie's long-suffering wife Phoebe. (2477800).

*Amadeus* (Broadhurst): David Dukes stars as Salieri in the award-winning and elegant National Theatre production of Mozart's life. (2470472).

*Agnes of God* (Music Box): The fiery trio of Elizabeth Ashley, Geraldine Page and Amanda Plummer evolved

not therefore responsible for Bassey, Kennedy, Squire, or any of those mentioned so far. That is precisely why I am writing. Channel 4 with its commitment (even a statutory obligation) to be different seems like the brightest hope for those of us who would like to see a little progress in this area—even if it is not one of Channel 4's strongest.

Not that things have stood still entirely since the letter to James Moir. That said, inter alia "If you were to encourage an awareness that in addition to the generation wanting to hear 'Tipperary' and 'Pack Up Your Troubles' from Max Bygraves there is another wanting Beatles songs and Mersey-sound, you would be expanding your audience."

To claim cause and effect would be absurd of course, but the promptness with which the world of pop music was then flooded with Sixties reissues was quite startling. Now, from *Yakety Yak* in the theatre to "Backtrack" on the newsstands, it is difficult to move for the teenage pop memorabilia of my generation and you yourself have commissioned perhaps the most amazing example with *Unforgettable*.

This Thursday night series actually brings back to the screen those familiar names to perform their familiar hits yet looking wholly unfamiliar what with wigs and bald heads and crow's feet. As Amanda remarks in *Private Lives* it is "Extraordinary how potent cheap music is" but in *Unforgettable* the potency of memory makes it a powerful poignancy introduced by the clear intimations of our own mortality: if Billy J. Kramer started-aged perhaps I do too.

TV started a new series on Saturday which, it seems, aims to fulfil the same nostalgic yearning for an even younger generation: *Greatest Hits* kicked off with *Sixty Quatre* and *The Glitter Band* and the first of a new BBC2 series last Thursday called *Grace Kennedy*—another typical star singer showcase.

In fairness I must add that *Mini Pops*. "The show that brings you today's music with tomorrow's stars," another of the programmes you have commissioned, is also quite different from any series I have seen on television before. True, there is nothing new about child performers acting precociously; anyone who has seen Shirley Temple, Jodie Foster and her chorus line of pre-pubescent

"showgirls" in *Baggie Malone*, or even some of the acts on *Opportunity Knocks*, will be familiar with the phenomenon. As, indeed, will anybody with a daughter such as mine who, at the age of three, flirited incorrigibly.

Furthermore, anyone who has given a primary school age party in the past decade knows that, left to their own devices with music playing, many small children will go spontaneously into the bumps and grinds that they have seen their elder brothers and sisters performing, either live around the house or on screen.

For all these reasons I judge the outcry about "infant pornography" and the like which has greeted the series to be either the reaction of twisted adult minds or sheer humbug and probably both. If the children understand the significance of any symbolically "sexual" gestures in their dancing then they are already "corrupted" and if they don't then it does not matter.

There are mistakes in the programme: the "enhanced" laughter track (or canned cackle as we say) and the habit of turning the picture sideways and upside down are both irritating. But as to whether the children's minds are being damaged, all you have to do is look at them: do they appear anxious, neurotic, and furtive or do they look as though they are all having a whale of a time and since you booked the series I assume you can too. Congratulations.

That said would you please take a careful look at the tape of last Saturday's *Patti* for which I assume you are also responsible. Admittedly Patti Boulaye did not actually sashay down a glittering staircase at the start of the show singing a Broadway standard to join a band of dancers of the opposite sex and go into a poorly coordinated routine, which is the way that Tom Jones' *Noel* on BBC1 and *Grace Kennedy* on BBC2 both started last week and that way that far too many "variety" shows have started for the last 25 years. However, I have a nasty suspicion that the only reason she didn't was the lack of a staircase at the Riverside Club.

Anyway she came on singing, and then introduced a remarkably unappealing female comedian whose best joke was about telling a policeman she could not see for blood, just because she was a necrophiliac. My second-to-last point is that

this formula of the singing star introducing "variety" acts—that is comedians, impressionists and other singers—is looking desperately tired and degenerated after the bashing that television has given it for so long. *Patti* actually has the beginnings of something fresh: last week La Boulaye tried skating with Robin Cousins (after a weird costume-switching intro) and Russian dancing with The Arzhanoffs. Why not get Independent Film Production Associates Ltd to go the whole hog and drop the old "hostess with the star line-up" idea altogether?

—It must surely be time to bring real variety back into Variety. Two programmes last week, *Eric and Eric's Variety Days* on ITV and a repeat of *Turns* hosted by Jimmy Perry on BBC1, both showed fascinating clips of film from the heyday of the variety theatres and both proved how much more varied variety was in those days: from the close-formation comedy dance team of The Western Brothers to the most intriguingly un-revealing fan dance from *The Windmill*.

The claim has always been that in the days of the live variety circuit you could spin out an eight-minute routine for a lifetime whereas on television you use up an entire national audience in a single evening. I just don't believe it: the artists are more resourceful and more numerous than that.

Finally, don't you agree that London Weekend's run of *Live From Her Majesty's* on Sunday nights has nothing that whether the viewer to gain from live drama, there is certainly a palpable advantage in live variety? It comes not simply from the much discussed adrenalin driving on the entertainers but from the triangular rapport between theatre audience, entertainers and viewers and it adds vastly to the enjoyment—especially with a comper as good as Jimmy Tarbuck.

That series ended last week, and the BBC now seems hopelessly stuck in the star show case rut so I do hope you'll do your best to see that comper television sustains and extends its new habit of enlarging the scope of variety, live when possible. Whatever Channel 4's obligations to minorities (and the word appears more in the Act) it has a duty to do with a few popular programmes too.

Best wishes

## Obituary Sir William Walton



Sir William Walton

Sir William Walton, the leading British composer between Vaughan Williams and Britten, who reached wide popularity at home and abroad, died yesterday at his home in Ischia, aged 80. Walton was born at Oldham, Lancs., in 1902. When he was ten he was sent to the Cathedral Choir School at Christ Church, Oxford, where his talent attracted attention and the Dean, Dr T. B. Strong, arranged for him to join the college as an undergraduate at an exceptionally early age. One of his fellow-students there was Sachverell Sitwell; with his sister Edith and brother (Isbert), he was to have considerable effect on Walton's development.

Conceivably, the Sitwells' sophisticated, Mediterranean-orientated taste saved Walton from becoming another Anglican church composer. At any rate it was abroad, at the 1923 International Society for Contemporary Music Festival at Salzburg, that Walton's name first came before a musically representative public. The work in question, a String Quartet subsequently withdrawn, created no sensation. However, Walton had done just that at home in London a few weeks earlier with *Facade*. This "entertainment" on poems by Edith Sitwell, had been privately performed the previous year. When it was heard in public (at the Aeolian Hall) the performance, in the poet's words, "raised an uproar." The scandal was ephemeral but the music has proved indestructible.

Of the *Viola Concerto*, heard at the Proms in 1929, Tovey wrote that he could "see no limits to what may be expected of the tone-poet who could

create it." *Belshazzar's Feast* (Leeds Festival, 1931) went straight to the top of the English choral repertory and has stayed there. The climax of this brilliant period came in 1934 and 1935 with the two premieres at Queen's Hall of the First Symphony, the first without, the second with the finale, over which Walton had

taken his time. This succession of works came at the right moment, when the senior generation was beginning to disappear (Elgar, Delius and Holst all died in 1934). Walton's music was richly exciting, and while his inherently traditional language seemed new at the time it was not difficult compared to the style

of the major European composers whose works were slowly filtering through to London. At this stage, Walton was undoubtedly the outstanding figure among the younger British composers.

The First Symphony, a big score into which Walton poured his heart, seems to have temporarily exhausted him. No new major work appeared before the *Violin Concerto* (1939, Cleveland, Heifetz). Here there is a lack of urgency compared with the preceding works: Walton's music suddenly grew middle-aged and his style set. After the war, younger critics, thirsting for new and preferably serial things, were not amiable disposed to the neo-romantic opera *Troilus and Cressida* (1954, Covent Garden), to the elegant Cello Concerto (1957, Boston, Piatigorsky), or to the Second Symphony (1960, Edinburgh Festival)—less highly-charged, more subdued and more subtle than the First.

Walton's conservatism was a matter of choice. A friendly, dryly humorous, intelligent man, he was aware of and interested in contemporary developments but felt no compulsion to follow in their wake.

He wrote successfully for the cinema (including *Oliver's Twist*), for the stage (the *First of the Month*), for radio. *Belshazzar's Feast* was followed by a number of choral works.

In 1948 he married Susan Gilbey, who settled on the island of Ischia, but Walton was often to be seen in London, notably at the celebrations for his 80th birthday in 1982. He was knighted in 1951, and received the Gold Medal of the Royal Philharmonic Society in 1957.

RONALD CRICHTON

## Henry Herford/Bishopsgate Hall

David Murray

The luncheon concerts of the City Music Society are as hospitable to promising new artists as to established ones and yesterday we had the young baritone Henry Herford in a French programme with Julius Drake at the piano. There was no doubt about Herford's promise even before he won the Benson and Hedges Gold Medal and the International American Music Competition. The voice is strong, warm and full of personality and his French delivery is notably easy and convincing. In a general sort of way, that is, Herford will fulfil

his promise when he becomes more particular. This time he sang five favourite Poulenc songs and his fine Eluard cycle *Tel jour telle nuit*, and in the middle Ravel's *Histoires naturelles*. He also offered Liszt with *Mother and Child* and *Le grillon*, which at least established a relaxed atmosphere for the recital. He was cheerful and engaging with "Hotel" and "Voyage à Paris" and "La grenouillère" and just the same in "Le disparu" (about a comrade carried off by the

Nazis), in which the sense of baffled loss was missed. With his first Royal Opera appearance in the offing perhaps he isn't interested in cultivating the music therefore not fully read. There were excellent moments and very dim ones, Drake made the wonderful "Bonne journée" menacingly heavy, and both performers sounded bumpy and ruffled in the last final "Nous avons fait la nuit." Yet the general tone was all right, friendly and well-schooled. We needn't doubt that Herford can do considerably more, if he isn't kept too busy too soon.

## Pirates of Penzance/Drury Lane

Antony Thornecroft

The Joseph Papp production of *The Pirates of the Theatre* Royal has been refreshed by an influx of new actors in many of the leading roles. Or should it be doubted? The attraction of the show was the ebullience, sometimes approaching frenzy, introduced into this Victorian operetta by a group of Americans fortunate in their choice of a leading man, a leading woman and a leading child. The British audiences endured for so long.

But after nine months some of the zest has gone and the new additions have not quite the curiosity value of the originals. Peter Noone looks well as Frederic, with his mass of gold curls, and the burden of an arm in a sling following a character that does not impede his performance. He sings boldly, too. But he does not shimmer with a sense of duty. In the same way Oliver Tobias as the Pirate King has as yet not perfected a character that does not impede his performance. He sings boldly, too. But he does not shimmer with a sense of duty. In the same way Oliver Tobias as the Pirate King has as yet not perfected a character that does not impede his performance. He sings boldly, too. But he does not shimmer with a sense of duty.

Best wishes

## Chichester Festival

The Chichester Theatre has launched a nationwide search for an unknown actress to star opposite Omar Sharif in its festival production of *The Sleeping Prince*, by Terence Rattigan.

Announcing the festival programme in London yesterday, artistic director Patrick Garland said they were seeking a young actress "conceivably from the chorus line" to play opposite Sharif.

The Egyptian actor will take the part of the Prince Regent, played in the film version, *The Prince and the Showgirl*, by Laurence Olivier, opposite Marilyn Monroe. Although best known as a screen actor, Sharif was a stage actor in Egypt for eight years and was artistic director of his own theatre company.

Other productions in the theatre's festival, which runs from May 11 to October 1, include John Osborne's *A Patriot for Me*, which will star Al Pacino and Tim Roth, and *Conrads*, one of J. B. Priestley's "time" plays. Google Withers.

Julia Foster and Alexandra Bastedo are among the cast. Patricia Hodges plays Rosalind in *As You Like It*, the festival's first Shakespeare play for three years.

## Music Month on Radio London

BBC's Radio London is setting a new trend for local radio with its festival *Music Month*, until April 1.

There will be a symphony or chamber concert every night (except weekends), with programmes including seven first broadcast performances. From March 21-25 there will be broadcasts of four of Benjamin Britten's operas, and of Purcell's *Dido and Aeneas*.

There is an emphasis on youth: ten concerts will be given by the Young Musicians' Symphony Orchestra, who among other things will give Malcolm Arnold's *Symphony No. 8* and Rakhmaninov's symphonic poem, *Prince Rustlar*.

## Arts Guide

Music/Monday, Opera and Ballet/Tuesday, Theatre/Wednesday, Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

March 4-10

## Theatre

## NEW YORK

*A View from the Bridge* (Ambassador): Buenos Aires and Sicily have a hit for the new year - Arvin Brown's rusty but true revival of the melodrama of forbidden love in New York dockland. Tony LoRusso may reach the full pitch of conviction despair too soon, but audiences love the schmaltz, even in an Italian accent. (2208200).

*The Misanthrope* (Circle in the Square): A witty translation by Richard Wilbur challenges an excellent cast to handle rhyme as dialogue which they ably do, led by Brian Bedford, supported by Stephen D. Newman, director Stephen Porter and especially costumer Ann Roth. (5811340).

*The Entertainer* (Roundabout 23rd & 8th Ave): William Gaskill's evocative production of the John Osborne chestnut stars an appealingly shuffling and quiescent Nicol Williamson while bringing the era of the Suez crisis to an American audience with Michael Shabaz's headline dominated cast. An excellent supporting cast of Humphrey Davis as father Billy Rose and Frances Cuka as Archie's long-suffering wife Phoebe. (2477800).

*Amadeus* (Broadhurst): David Dukes stars as Salieri in the award-winning and elegant National Theatre production of Mozart's life. (2470472).

*Agnes of God* (Music Box): The fiery trio of Elizabeth Ashley, Geraldine Page and Amanda Plummer evolved

a somewhat over-written clash of ideologies. (2454833).

*Joseph and the Amazing Technicolor Dreamcoat* (Royale): The first work by Andrew Lloyd-Webber and Tim Rice in a lively and imaginative rendition directed by Tony Tanner. (2451910).

*Genesius* (Fairbanks): Author Jonathan Reynolds takes advantage of a slight watching Francis Ford Coppola shooting *Apocalypse Now* in parody the American film industry in this riotous re-creation of a jungle film set awaiting the end of a seasonal typhoon. (433 W. 42nd), (2794500).

*Pleasant* (Plymouth): Moving on to Broadway from its Public Theatre opening, Kevin Nelligan stars again in the New York production of the play written and directed by David Hare about Europe's transition from peace to war over the last generation. (2208200).

*Cats* (Winter Garden): Director Trevor Nunn, fresh from the Broadway success of *Nicholas Nickleby*, has his imaginative and tricky cats slink, slide and dance their way across a transformed stage in this lavish creation of the London hit. (2208200).

*Washington*

*Operation* (Arenas): A circus setting is used by director Zoltan Pichler to present Istvan Orosz's last play, which creates its own show trials for a fictitious Hungarian politician recalled from his ambassadorship in Paris to witness the testimony prepared against him. (2541095).

*Show Boat* (Opera House, Kennedy Center): A cast of 58 from the Boston Opera company led by Donald O'Connor revives the Kern-Hammerstein musical of 1927 with its brilliant score including songs of *Man River*, Bill and Mike Belgrave. (2541710).

*The Imaginary Invalid* (Arenas): Guthrie Theatre's associate artistic director Garland Wright presents Argan and company with Marc Antoine Charpentier's original music for Moliere's masterpiece about quackery and hypochondria in the ancient regime. (4882300).

*Mark Twain Tonight* (Opera House, Kennedy Center): Since 1954, Hal Holbrook has played the venerable American humorist between other roles and now brings his Tony-winning one-man show to Washington where he last performed to sold out audiences in 1981. (2541710).

*Chicago*

*The Comedy of Errors* (Goodman): With Adriana played by world champion balon twirler Sophie Schwab and Luciana by Gina Leishman who has mastered seven musical instruments, this Shakespeare could be nothing but a circus, especially surrounded by the Flying Karanov Brothers and street musicians and jugglers from across America in Robert Woodruff's lively production. (4433800).

*Dest for One* (North Light Rep, 2300 Green Bay, Evanston): Tom Kempinski's slightly veiled story of the painful and frustrating accommodation of a concert artist to proving debility stars Eva Marie Saint. (8607278).

*E. R. (Organic)*, 3319 N. Clark: This hit-

and-miss local company has a long-running success with an earnest parody of hospital-based melodrama, starring Gary Houston as an ambitious young doctor, Shuko Akune as the receptionist and Lily M. B. as the authoritarian nurse. (3275588).

*Vienna*

*Vienna's English Theatre* (421260): *Arsenic and Old Lace* (Daily except Sun).

*Theater an der Wien* (570632): *Anastasia* (Daily except Mon).

*Holland*

*Mickey Theatre, Amsterdam*: *Slow* Fate by Mike Figgis, an unorthodox play featuring music and projection as well as actors.

*London*

*A Map of the World* (Lyttelton): Brilliant new play by David Hare, set in a luxury Bombay hotel where a UNESCO conference on world poverty has been convened. Chit, meticulous production by the author has strong performances from Roshan Seth (Nehru in the film Gandhi) as a journalist and Diana Quick as the actress in the middle of an ideological showdown. (2202253).

*Noises Off* (Savoy): The funniest play for years in London, now with an improved third act and a top-class replacement cast. Michael Blake-more's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (8368888).

*Yakety Yak* (Astoria): Enjoyable pot-

pour of songs by Lieber and Stoller, evocative of the 1950s and '60s, the leading roles are played by Liverpoolian quartet of brothers and The Darts. (4375585).

*The Real Thing* (Strand): Fascinating, enjoyable new Tom Stoppard play which examines a playwright's attitudes to work, music and love in characteristically well-written, complex vein. A bone of serious levity is well struck in Peter Wood's production and the performances of Roger Rees and Felicity Kendal. (8362860/4143).

*Other Places* (Cottesloe): Triple bill of Harold Pinter plays superbly directed by Peter Hall. Pinter breaks new ground in *A Kind of Alaska*, Judi Dench outstanding as a woman coming out of coma after 20 years and accelerating from small girl to adult maturity in half an hour. (2202253).

*The Pirates of Penzance* (Drury Lane): Riotously vulgar Broadway import that sits Gilbert and Sullivan on a whoopee cushion. One of two brilliant set pieces but is all this strenuously arthritic camping about really preferable to the prim stasis of the *D'Oyly Carte* tradition? (8368100).

*Gyps and Dolls* (Olivier): A first-class revival of this witty musical happily laid out on the open stage, with a good selection of the acting talents of the National Theatre and some unlooked-for singing talents as well. (8362253).

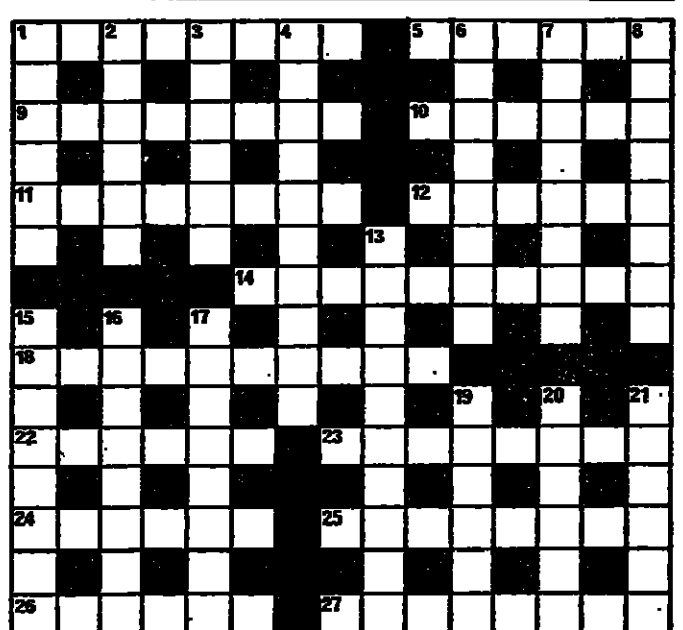
## F.T. CROSSWORD PUZZLE No. 5,117

## ACROSS

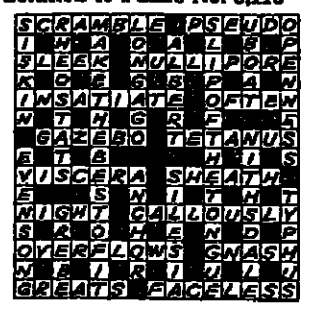
- The real Duke of Milan has to succeed with nothing (8)
- Surgeon's paper knife? (6)
- Hood's tip for pile I rip into shreds (6)
- Plot to strike creating a state of uproar (6)
- Understood vessel could be reserved (8)
- Motoring organisation admits 100 mph learner with out a key (6)
- What a policeman wears in this Central African region? (6, 4)
- Release bird and imperfectly developed cow (10)
- Exhilarate rare beetle (6)
- Slice of meat to cut quickly (4, 4)
- Set in the surface at home, face back (6)
- Dismiss unruly child taking wingless insect (8)
- Encircle the French supporter (6)
- Set anger apart, but alienate (8)

## DOWN

- Accomplice dined on relish (6)
- Flower of gold grain (6)
- Young dog took food to develop into insect stage (8)
- Pierrot e'er confused by his stock of material? (10)
- Opening set by photographer (8)



## Solution to Puzzle No. 5,116





## FINANCIAL TIMES

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Wednesday March 9 1983

## A false move in Zimbabwe

THERE is a sad feeling of inevitability about the events of recent weeks in Zimbabwe. A rising tide of banditry and violence in the province of Matabeleland has been followed by the heavy-handed and often brutal response of soldiers, leaving the civilian population terrified in the crossfire. The persistent activity of dissidents professing loyalty to Mr Joshua Nkomo appears to be leading inexorably to the violent suppression of his political party, Zapu.

The confrontation in Matabeleland is aggravated by the bone of post-colonial Africa—tribalism. For the political loyalties of the population are dictated very largely by their tribe or language: the minority Ndebele (20 per cent of the population) support Zapu, while the large Shona majority support Mr Robert Mugabe's ruling Zanu party. As a result, the recent clashes have contained a disturbing element of ethnicity, with the army's Fifth Brigade, almost entirely made up of Shona soldiers, accused of a string of atrocities inflicted on the Ndebele population in Bulawayo and the surrounding area.

There was great hope that Zimbabwe would provide an example of racial harmony and economic development—against all the odds—which might have been followed by neighbouring states, above all by South Africa. When he won an absolute majority in the independence elections of 1980, Mr Mugabe showed an admirable degree of magnanimity and pragmatism towards his former enemies and rivals. He invited Mr Nkomo to join his government, and he went out of his way to pursue economic policies which would not alienate the white population, whose presence remained critical to the country's economy.

## Alienated

His detractors, most of whom had supported Mr Ian Smith and had no sympathy for the handover to majority rule, maintained that Zimbabwe would rapidly disintegrate in civil war between the two major tribes and indeed some of them undoubtedly plotted towards that end. It is all the sadder, therefore, that the events in Matabeleland seem to be playing into their hands. In neighbouring South Africa, the diehard exponents of

agony of pay settlement, thus easing Government's task, both as their ultimate employer and as a manager of the economy."

The report does not expect the unions to shrink dramatically; and while the low level of industrial action may increase as the "fear factor" abates, the report sees a long-term trend downward in the incidence of strikes as the strike-prone manufacturing industries decline.

One of these, coal mining, has vividly exemplified the point over the past three years by the past declining numerically and refusing to take strike action in protest against the fact. Early indications of yesterday's ballroom as a continuation of that trend. It is a relatively safe bet that the National Coal Board will now shut pits at a rather faster rate than it has over the past decade.

## Innovation

On this analysis, it is encouragingly easy to harmonise prescriptions with trends. In the private sector, management should build upon existing moves towards involvement of the employees at plant level in the company's decisions, laying increasing emphasis on such innovations as quality circles and employee communications. Unions can and should be made allies in this process. But management should not try to use such mechanisms as "union busting," as they have in the U.S. That would be to mistake a present trend for a cultural revolution which has not occurred.

## Persuasive

Most managements, the report says, are "pragmatists" or "opportunists" in industrial relations. The obvious gains from this style over the past three years, the authors say, are that they argue for greater employee involvement which, they claim, is now being seen as desirable by even "the most aggressive management." In the "m strong public sector, the tighter monitoring and control of pay and industrial relations initiatives is likely to continue, as is increasing Government intervention. The authors are advocates of a comprehensive approach, which contains a large element of comparability; they say, persuasively, that the discovery of a self-regulating pay mechanism could effectively remove up to 5m workers from the "annual

lasting white rule will simply be confirmed in their prejudice. Although comprehensive evidence of the scale of recent violence is impossible to come by—it has emerged from the random reports of fleeing civilians, from churchmen and international aid workers (whose drought relief operations have been severely disrupted)—there can be little doubt that the civilian population of Matabeleland has been overwhelmingly alienated by the activities of the Fifth Brigade. The four remaining Zanu Ministers in Mr Mugabe's Cabinet are under severe pressure to resign, thereby ending the last hope of genuine cross-party rule.

In opting for a military solution, and using the North Korean-trained Fifth Brigade Mr Mugabe seems to have given in to the hardliners in his own party, who have always suspected Mr Nkomo of plotting a coup (an unrealistic aspiration if it were true, given his military base). Even then the Prime Minister should have used the integrated battalions of the national army to do the job; they are known to be better disciplined.

## Pressure

Indeed, the success of the integration exercise, putting together the former guerrillas supporting Mr Mugabe and Mr Nkomo, and the black and white troops of Mr Smith's army, with the assistance of a British military training team, remains an example of what can be achieved.

Mr Mugabe must be aware that he is not ruling Zimbabwe in a vacuum: there will be further pressure in Britain, as in the U.S., for aid to be cut back if he cannot reach a political compromise with the Ndebele. Repression is no alternative.

He has shown that he is capable of taking brave and politically difficult decisions on the economic front: the recent 20 per cent devaluation, the reduction of food price subsidies and the freezing of wages as part of an IMF-approved austerity package prove the point. Now he must be equally forthright in tackling the political crisis: he must restrain the hot-heads in his party who are calling for the "liquidation" of Zapu, and seek co-existence rather than confrontation. Otherwise the prophets of doom will be proved right.

## Positive trends at the workplace

IT IS now so much an accepted part of business life that management have all the best hands, in the game of industrial relations that it is scarcely a matter of comment. What should be a matter of comment, however, is how they are to play these cards.

In this context, a recent report commissioned by the Department of Employment from two Warwick University academics—Professor William Brown, head of industrial relations research unit, and Mr Keith Sissons, a senior lecturer in industrial relations—has been published in the current issue of the *Industrial Relations Journal* reaches some encouraging conclusions. It maps the "trends and possibilities" over the next decade and sets some challenges for management and labour.

In the private sector, the authors see a continued decentralisation of bargaining away from national and multi-company agreements to the already-dominant pattern of plant bargaining. This is a 20-year-old trend. But the present recession and resulting union weakness could be an element that management need be less concerned over stewards forcing the issue of comparability between separate establishments. In future, management will be able to take greater advantage of local market and bargaining differences.

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"All the credits went on toys and French cheeses. We thought an economic miracle was happening because we could afford French cheeses"—a Chilean housewife.

"Mexico and Venezuela had oil, Argentina had wheat—Chile had confidence and the bankers liked that particular product at the time"—a diplomat in Santiago.

"I make a big distinction between the system and the model. The free market system is the right one, but not when it becomes a 'model,' which is applied in a naive, unrealistic, extremist and blind way"—a former Minister in the Pinochet Government.

"This 'experiment' will become a case study throughout the world on how the dogmatic free-market model, working under perfect laboratory conditions, can be destroyed by a government with powers hard to imagine in the modern world, completely failed"—an economist and former Minister in the socialist Allende Government, now living in exile.

THE only growth industry in Chile today is the search for scapegoats and before long even President Pinochet, until recently regarded as one of the world's most entrenched dictators, may be gone. But whether Pinochet himself is made to bear the blame for the country's recent economic debacle, nearly everybody in Chile now seems to agree that his "experiment" with free-market economics which was at one time seen as a "miracle" has turned into a nightmare.

A few years ago, the Chilean economy, as managed by a handful of President Pinochet's advisers (known universally as the "Chicago boys" because they were all educated at the alma mater of strict monetarism, the University of Chicago), was held up as an example to all other developing countries.

Here was an economy which had reduced inflation from 1,000 per cent to 10 per cent in the eight years after the military seized power in 1973, yet was enjoying a growth of 8 or 9 per cent a year in gross national product.

It had transferred itself from one of the most protected economies in the world, with average tariffs of 105 per cent in 1973, into one of the most open, with all tariffs slashed to 10 per cent by 1979. Yet its balance of payments was strong and its reserves were growing.

This all took place in the purest possible atmosphere of "laissez-faire"—the doctrine that the Government should play the smallest possible role in the economy.

Whatever they may have thought of the Pinochet regime's highly liberal treatment of its political opponents, the detractors of "laissez-faire" within the economic procession could not fault the Chilean experiment of economic performance.

For example, Paul Samuelson, America's leading Keynesian economist, in the latest

major country since the 1930s. Its \$17bn foreign debt is more than double Brazil's, and 30 per cent higher than Mexico's, in relation to its population. Its official unemployment rate is around 20 per cent and an additional 15 per cent of its labour force is kept in artificial jobs at minimal wages, on Government make-work programmes. Even inflation is creeping back above the 20 per cent mark.

Chile's economic collapse began in the second half of 1981 as foreign bankers, who had been falling over themselves to lend the country money, suddenly noticed a huge deterioration in its balance of payments.

As the foreign capital which had been surging into the country at an almost exponential rate, rising from \$572m in 1977, to \$2.2bn in 1979 and \$4.5bn in 1981, began to dry up, home hard truths about the Chilean economy were gradually exposed.

Back at the businessmen's monthly meeting in the embassy compound, the host diplomats are debating whether the sessions should continue. "We'll know who our friends are now and who were just here for the beer," said the commercial attaché as he sipped his pineapple juice.

Even politicians don't always choose the right words. Ontario's industry minister Gord Walker recalled yesterday his first speech to the inmates of one of the province's prisons. He had given a lot of thought to how he should open. He couldn't very well say "Welcome" or even "I'm so glad you're here."

Came the moment to stand up and, to his horror, he heard himself saying: "I'm so glad you are all here today..."

Local expatriates say the result is going to be an immediate hike in the price of black-market booze—already a hot item in the country's foreign minister predicted, the bootlegging is already in full swing, as gallons of wine and Rums beer are brewed in plastic distilleries.

The Bill was passed some two weeks ago in the Assembly, but the ruling Emir has not yet signed it. He is presently attending the non-aligned summit in Delhi and will get round to doing so when he returns.

But though the embassy has tactfully closed its bars, others

are racing against time to get the last orders in. The Foreign Office has been deluged with applications for import certificates. Most of the shipments have been coming in by air because of the urgency of the matter and Cyprus liquor salesmen have been making a killing. Such is the deluge of orders that one western diplomat remarked this week "It's been like the Berlin airlift out at the airport."

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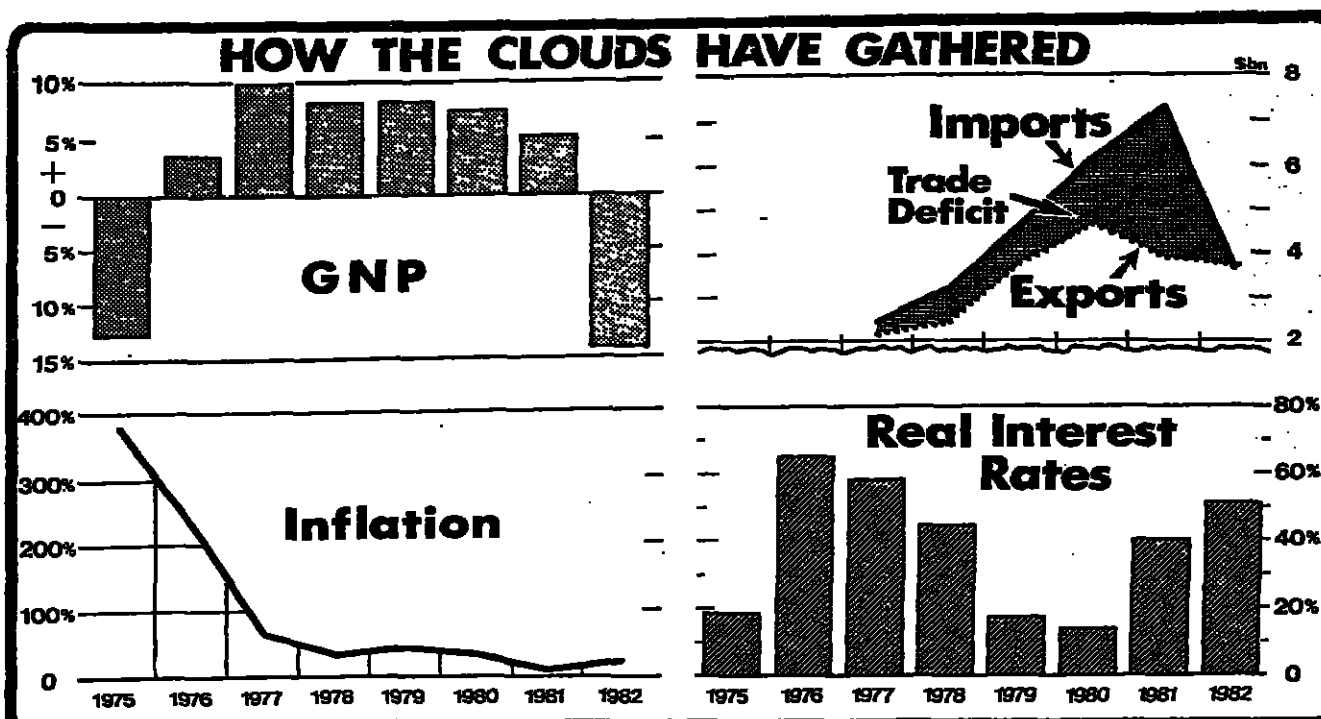
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## CHILE'S ECONOMIC EXPERIMENT

## The model that didn't travel

By Anatole Kaletsky, recently in Santiago



addition of his celebrated economics textbook is reduced to attacking Chile as the world's clearest example of "market fascism," a country in which generals have turned over all economic control to religious zealots—but zealots whose religion is the laissez-faire market.

Today, Professor Samuelson would find it easier to attack the Chilean experiment on his foreign bankers' disillusionment with Chile, revealed an almost unregulated domestic financial system. In January the Government was forced to liquidate three major banks and take five others, including the two largest, under supervision.

## Trade deficit soared while exports remained constant

It trade deficit had soared from \$355m in 1979 to \$2.6bn in 1981, due almost entirely to a virtual explosion in consumer goods imports, while exports remained constant, its currency, which had been pegged to the dollar since June 1979, was grossly overvalued, and its products became increasingly uncompetitive in world markets.

Worst of all, the devaluation which inevitably followed the foreign bankers' disillusionment with Chile, revealed an almost unregulated domestic financial system. In January the Government was forced to liquidate three major banks and take five others, including the two largest, under supervision.

The problems were aggravated by the Government's monetary policy. This laid down that the domestic money supply would be increased or reduced in line with the inflows—or outflows—of foreign currency reserves in the central bank.

So when foreign currency started flowing out of the country, the central bank reduced the money supply and raised interest rates in the hope of slowing down the outflow. This inevitably deepened the country's industrial recession.

The "Chicago boys" recommended the fixing of the exchange rate to act as a pre-announced monetary target. In the case of small countries this school of international money "arists" recommends that the exchange rate itself be treated as the key monetary target. This minimises the need for government macro-economic fine tuning and, above all, looks like a most effective policy against inflation.

Does Chile's economic collapse prove once and for all that the free market model of economic development is doomed to failure? Was Chile's failure the consequence of a few contingent mistakes which

could have been avoided through better execution of the same free-market model? Or is it somehow inappropriate in Latin America, even though it works in countries like Korea and Singapore, with which the "Chicago boys" used to compare their country in its economic heyday?

Most of the model's erstwhile supporters obviously believe that the failure was due to a series of mistakes or accidents. The accident was the downturn in the world economy (a point which they cannot push too strongly) because the free-market model is after all, supposed to make it easier for an economy to adjust smoothly to changes in external conditions.)

There were three basic errors: the maintenance of a fixed exchange rate for three years from June 1979 onwards, the indexation of wages during the same period and the almost total failure to regulate the financial system. Indexed wages and the fixed exchange rate produced an exchange rate which became overvalued when Chilean inflation failed to fall rapidly enough to the international level. The unregulated banking system is now prolonging the economic chaos as its dubious accounting practices and questionable loans enmesh the whole of the industrial and financial sectors.

The point that is easily overlooked is that the "errors" of execution were closely related to the model's "successes." The overvalued exchange rate and the insouciance about the banking system and the foreign loan caused the four-year boom in consumer spending and services which created the record growth rates of the "economic miracle."

The deeper pitfalls of the "model" emerge when Chileans are asked to give a personal explanation of the economy's collapse. Almost in-

variably they put the blame on one person—Sergio De Castro, the leader of the "Chicago boys" and the country's Finance Minister from 1977 until last April.

With even more surprising regularity they use a single Spanish word to explain Sr De Castro's failure. The word is "soberbia" and it means something between "arrogance" and "overweening pride." This consisted of trying to force the world to fit the model instead of the other way round.

So committed was he to the free market model that he be-

## Banking system was going on la dolce vita

came impervious to argument. The exchange rate could not be considered "overvalued" as long as foreign capital was flowing freely into the country, he insisted. He did not initially think that indexation would be a serious problem because he was convinced that Chilean inflation would drop rapidly to the international level as a result of the fixed exchange rate.

The real measure of Sr De Castro's audacity came when, after three years of a fixed exchange rate, real wages were still growing rapidly as a result of the indexation system. The only way to save the model, he told President Pinochet at this point was to announce a 30 per cent reduction in nominal wages for all employees in both the private and public sector, including the army.

President Pinochet asked him to resign and this marked the real conclusion of the experiment with the "Chilean model."

The extreme laissez-faire approach was perhaps most unrealistic with respect to bank regulation. One senior economic minister who is still in the Government explains the "Chicago boys' attitude like this: "There were foreign banks lending extremely high amounts to our banking system. We really thought these lenders, who were very conscious of what they were doing and had great market expertise, would monitor their institutions themselves. They should not just expect the banks here to be monitored by the Government authorities."

Another former minister puts it more colourfully and bluntly: "From 1977 onwards the whole banking system was going on la dolce vita. De Castro and the Chicago boys had the idea that they would make the market a policeman, a bring order to this dolce vita. Today we see the result." For example there were insufficient controls to prevent banks lending excessively to their own subsidiaries and borrowing reserves from them.

The "hollowness" of the boom emerges most clearly from Chile's most revealing economic statistics. The figures for gross fixed investment, which averaged only 15.2 per cent of GNP between 1977 and 1980, despite all the foreign borrowing, this was one of the lowest investment rates in the developing world and compared with an average of 22.5 per cent for Latin America as a whole.

It is on the macro economic side that the Chilean model has clearly failed. On the micro side, however, there have been considerable improvements in industrial structure and efficiency, particularly from 1975.

On the other hand, as a former Minister in the Allende Government points out, "When you see a system undergoing all this transformation and there is no investment, something must be very wrong."

Perhaps the "very wrong" in Chile is that the macro economic mismanagement in the end created conditions of instability and high interest rates that were not conducive to investment. Or it may be, as another leading development economist at the World Bank argues, that the "Chicago boys' comparisons between Chile and South Korea, for example, were totally misguided because Korea is not a "free market economy," but a "private enterprise economy," where the Government plays an active role in promoting investment, although it always does this "by recognising market incentives."

Alternatively Chile's trouble could be, as the doyen of the Chicago economists, Professor Milton Friedman, has argued, that political repression dampens private enterprise—as he put it in his famous dictum that a truly free economy will only fall in an unfree society. It is certainly true that in a democracy, the model could possibly have been applied in such a single-minded manner.

## Men &amp; Matters

## Trouble brewing

There were long faces all round last night at a Western embassy in Kuwait as the bar was closed firmly in the faces of 50-odd expatriate businessmen.

The embassy (I have been pledged not to reveal which one) had for a number of years held monthly meetings for their local resident businessmen to mull over news and gossip of business in Kuwait. It was also an occasion when large amounts of ale were consumed, for until this month, a ban on sales and consumption of alcohol.

Then a dozen or so Islamic Fundamentalists decided to bring the matter up in Kuwait's National Assembly. They charged western diplomats with attempting to influence and make friends with leading Kuwaitis by luring them in with large doses of Scotch—the Arabs' favourite drink.

The Government, mindful of the delicate political overtones, attempted to make the vote secret so as to avoid embarrassment for members who wanted to vote against extending the ban to diplomats. In the end, the vote was public and the result inevitable. There were 29 in favour, zero against, with large numbers of deputies absent.

Local expatriates say the result is going to be an immediate hike in the price of black-market booze—already a hot item in the country's foreign minister predicted, the bootlegging is already in full swing, as gallons of wine and Rums beer are brewed in plastic distilleries.

The Bill was passed some two weeks ago in the Assembly, but the ruling Emir has not yet signed it. He is presently attending the non-aligned summit in Delhi and will get round to doing so when he returns.

But though the embassy has tactfully closed its bars, others

## Wrong sentence

Even politicians don't always choose the right words. Ontario's industry minister Gord Walker recalled yesterday his first speech to the inmates of one of the province's prisons. He had given a lot of thought to how he should open. He couldn't very well say "Welcome" or even "I'm so glad you're here."

Came the moment to stand up and, to his horror, he heard himself saying: "I'm so glad you are all here today..."

## Countrymen

Since the bitter row last year over leasing land for a nuclear power in Sucklingham, the National Trust has been looking for ways of improving the discussion of such policy issues among its 1.1m members.

It seems to have found an opportunity now in a co-operative deal that should at the same time increase its income—and help launch a new countryside magazine, Out of Town.

The magazine is the brainchild of David Boddy, former press and public relations direc-

## Stoneware

A Dutch stonemason has bought one of his robots Mike Skidmore told a Royal Society of Arts lecture audience in London. Skidmore, European marketing manager for Cincinnati Milacron, said the Dutchman's second son—an engineer—had persuaded the stonemason that this was the way to beef up productivity. The robot roughs out the shape of the headstones, leaving the craftsman and his first son free to practise their craft of engraving.

In the first of three RSA Cantor lectures this year devoted to robotics, Skidmore forecast that although the car factories will continue to place the big orders—General Motors is planning for 12,000 by 1992—we would be hearing a lot more about robots appearing in unexpected corners.

Skidmore is evidently an almost boundless enthusiast for robots, not as people-displacers but for tackling the necessary chores that people increasingly tend to shun. But even he evinced some doubts about one application that Joseph Engelberger—guru of robotics, as he called him—is working on. Engelberger is trying to teach a robot brain surgery.

With the National Trust's co-operation, the publishers will seek to establish the magazine's initial circulation among NT members. Conservative estimates are that sales of 175,000 should result.

In return, the Trust will be given £1 for every subscription taken out by a member, and another £1 for each renewal.

Almost as important from the Trust's recent experiences is the chance it will get to address a large part of its membership through the magazine. It will be provided with two pages in each issue to use as it wishes, though editorial control of the rest of the 50p magazine will remain independent.

The Trust is one of Britain's largest landowners, running 200 properties, 105 gardens and 117 pubs, as well as a guardian of 400 miles of coastline. It has plenty of topics it would like to air.

Even now, the Army is pressing to be allowed on to some of its land for training exercises.

## Cash flow

Heard in a Putney pub: "When John and I were first married, money talked—now it simply goes without saying."

## Observer

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## BRITAIN'S CINEMA INDUSTRY

## The word revival is relative

By Arthur Sandles

ON ANY ONE night, there are 12 times as many people sitting in their own homes watching videotapes in Britain as there are at the cinema.

To say that 1982 was a bad year for the cinema trade (as opposed to the film industry, but more of that later) would be an understatement bordering on the ludicrous. It now looks as if UK cinemas saw their patronage fall from around \$3m to \$5m or less. "It was," says Thora EMI blumly, "disastrous." In the words of Mr Kenneth Rive, who heads Gaia Film Distributors: "It was a year that I would like to forget."

As 1982 disappeared over its festering horizon, however, things began to brighten. The film ET took money in December and January at the remarkable rate of £1m a week at the box office. At the end of the year, a list of forthcoming productions which includes two rival James Bond pictures, another in the Star Wars series and another Superman film and came to the conclusion that 1983 may have been just an aberration.

Perhaps the most optimistic voice has been that of Mr Percy Livingstone, president of Britain's Society of Film Distributors. He talks in terms of 1983 being "a record breaking year" and reckons that the UK cinema will benefit from the biggest array of major box office hits in years.

Livingstone's companions in the industry see some signs of revival but are not quite so wildly enthusiastic. "The word revival is relative," says the Rank Organisation. "It is difficult to see going back to 1980 levels." Gaia's Rive, too, sees encouraging signs but says: "Sadly I cannot see admissions improving sufficiently to save many a cinema."

There are probably just under 1,500 public cinema screens in Britain at the moment. The official total at the end of 1981 was 1,528 and since then, the trend has continued downwards. Both the UK's major chains have slightly reduced their stock. Thora-EMI is down to 300 and Rank, with 96 sites, has 226 screens. While the number of screens has been falling slowly the decline in the total of actual seats has been much more dramatic.

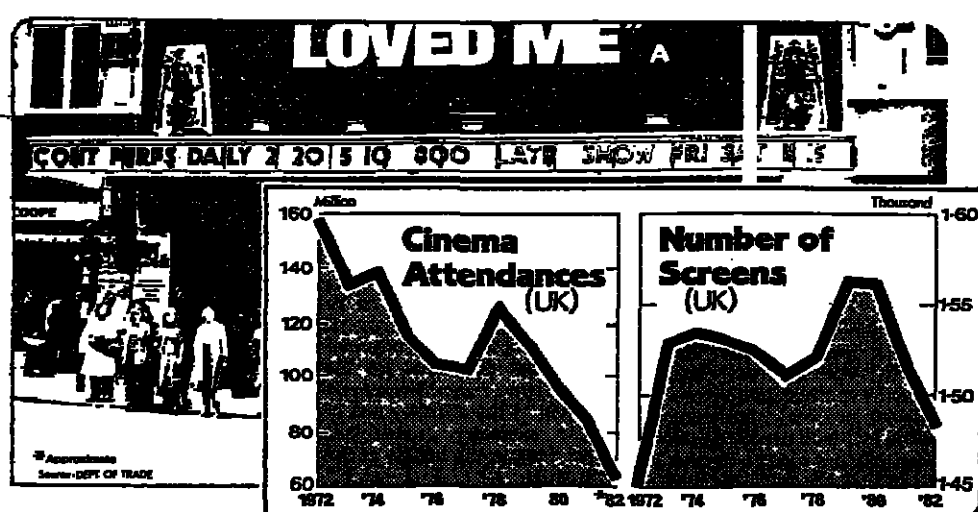
There was a loss of more than 200,000 cinema seats in the UK between 1976 and 1981 and the trend continues. The average cinema seat in the UK costs a little over £2 at the moment, thus it is already cheaper for a couple to rent a video tape for the evening than to go to the cinema.

What bothers many of those in the British cinema business is that although there were many factors on which you could blame the appalling performance of the cinema in 1982 most of these factors were shared by other countries which, in contrast, however, had very good years.

The Americans and some European countries saw appreciable rises in numbers of people going to the cinema but, with the same films on offer, the British chose to stay at home. High on the list of culprits for this, according to the film men, were the Falklands War, the Royal baby and the World Cup.

It is difficult to see what tempted cinema-goers elsewhere. The British top 20 films last year (a list compiled by Screen International) suggested that the international crop of films was, with one or two exceptions like Chariots of Fire, pretty mediocre.

Quite apart from the fact that compared with these the portfolio of films in the pipeline looks dazzling, the cinema business has been doing some soul-searching about its own approach to the market which may produce results in terms of bigger audiences. In recent



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weeks, for example, the cinema trade has switched from its old-established policy of changing films on Sundays to the more sensible normal international practice of a Thursday change.

Other changes may flow in the wake of the Monopolies Commission report on the cinema business. The Commission should complete its work some time next month and its report should be available in May or early June. Few in the business seem to feel that the Commission will have any major changes to suggest—indeed there is a sense of déjà vu about any inquiry into a business which is constantly investigated by assorted governments with little apparent result.

There is perhaps more interest in the actions of Mr Iain Sproat, the Films Minister. It is widely assumed that Mr Sproat intends changing the present Eady levy system under which all cinema seats carry a special tax, the proceeds from which are passed on to British filmmakers.

There are signs that Mr Sproat would like to see this go, and with many of the industry's mini-quangos. However, the film business also senses a sympathy from Mr Sproat's part towards television paying something towards the continuation of the film production industry from which it takes so much.

The Government has already indicated that it is not entirely deaf to pleas from the film and cinema business. Filmmakers

breathed a sigh of relief recently when it finally backed off from changes in the tax laws which might have sent film investment cash scurrying out of the country.

Under the present, and to be continued, scheme film investment can be written off completely in one year. It was to have been replaced by a life-of-film write off system, but this provoked cries of horror from the filmmakers and the Government has put off any final decision until 1987 at least.

Much of the reason for this relief is that film production is a vastly healthier business in Britain than film showing. Last year (again according to Screen International) 51 major films were made in the UK, or crested by UK film units, compared with 24 in the previous year.

Production investment was £230m, a sharp rise over 1981. The boom, in spending at least, seems to have continued into this year. The latest figures indicate that while there were only six films in production in the UK in January, which is the same number as last year, the investment involved had gone up from £39.3m to £62.5m—with the two rival James Bond films, one with Roger Moore (Octopussy) and the other with Sean Connery (Never Say Never Again) contributing heavily to this total.

While most of the films included in this list are straight forward productions intended for the cinema, in fact the line

between film and television production is increasingly blurred.

Often films are actually designed for what is termed a "multi-media" release. The Far Pavilions, Goldcrest Films and Television's version of the best-selling novel, is aimed at U.S. television and normal cinema release in much of the rest of the world. Goldcrest, a Pearson Longman subsidiary, is riding high at the moment. It was Goldcrest that got the Chariots of Fire venture going—although the bulk of the final investment money came from the U.S.—and it was partner with the Indian Government in the film Gandhi.

Gandhi dominates the nominations for this year's British Academy award nominations. It also has 11 nominations for U.S. Oscar awards, to be announced on April 11.

The gap between the sort of giddy success this could bring and ignominious failure, is enormous.

Filmmaking today is a hugely expensive business. While it is quite modest production might cost £3m the cost of getting that film into the cinema—by the time basic marketing, print-making and distribution expenses are added—the real bill could be twice that amount.

In the end, thanks to retail mark-up and tax, it may have to take four times its manufacturing cost at the box office before the producer is likely to see any return.

If you hit the jackpot, however, the rewards are remarkable. In less than nine weeks the latest Dustin Hoffman film, Tootsie, has grossed more than \$100m, which is, of course, well under half what has been taken already by ET.

There is little doubt that the cinema owners, particularly British cinema owners, are eager for more best-selling material. The cinemas are eager to see their properties the centre of family entertainment once again.

"People have been staying at home for too long," says Percy Livingstone. "They put up with endless repeats on the small screen or are seduced temporarily by the availability of video tapes in the home when they were meant to be seen."

## World Economy

## Where North-South should go from here

By Jagdish Bhagwati

THE GLOBAL negotiations embracing North-South issues have been stalemated since the UN General Assembly resolved to launch them at the United Nations in 1980 at a special session. Attempts are currently being made to seek yet again a launching of the Global Negotiations during 1983. The non-aligned nations are meeting this week in New Delhi and will chart their strategy on North-South economic issues. The question is therefore pertinent: What should this strategy be and should Global Negotiations have any role in it?

The story of North-South relations, and the dialogue concerning them, could be written in oil. Before oil entered the picture, North-South issues were already on the international scene. But they were to be transformed with the triumph of the Organisation of Petroleum Exporting Countries.

The post-war period was indeed the era of the Liberal International Economic Order (LIEO), par excellence. Under U.S. leadership, which was tantamount to Pax Americana, the international institutions founded at the end of the war, IMF, GATT and IBRD (the International Bank for Reconstruction and Development), provided the institutional umbrella under which trade, investments and growth prospered.

Many southern nations were unhappy over their inadequate power and role in the post-war institutions. They also did not share fully the tenets of the LIEO philosophy that underlay the design of these institutions. Until 1973, these concerns were generally manageable. Indeed, accommodating responses were made: eg. new low conditional facilities for the developing countries were instituted as the IMF, in the shape of the Compensatory Financing Facility in 1963 and the Buffer Stock Facility in 1969.

This mildly accommodationist status quo was sharply interrupted by the success of Opec which began in 1971.

The example of Opec suggested that other commodities could also be cartelised to extract resources unilaterally from the North. The economic concept of "commodity power" was born. The use of the 1973

oil embargo also suggested the political concept of commodity power.

Hence, the early 1970s witnessed a definite shift of gears. The South entered, with a perception of new strength, the negotiations phase: for negotiations cannot occur meaningfully between grossly unequal partners. The South moreover took the stance that the entire range of international economic issues—trade, money, aid, energy, raw materials, etc.—be negotiated together as part of a new International Economic Order.

Members of the rich and poor nations could find common ground in their fears over the sharp rise in international debts

The euphoria that attended Opec's success, however, soon vanished. Opec itself gradually dimmed as a threat once the first oil shock (especially the quadrupling of oil prices during 1973) was absorbed, oil prices stabilised in the subsequent years and conservation programmes got hesitantly underway. Moreover, commodity power was soon realised to be illusory; oil was seen to have been a special case.

During 1978-80, the real price of oil increased again, by 80 per cent. This turn of events was the catalyst for a fresh lease of life to the notion of negotiating from strength.

Algeria resuscitated at the 1979 Havana Non-Aligned Conference the NIEO approach that it had launched in 1973 and these nations resolved that comprehensive, global negotiations should be launched on North-South issues. As with Algeria, the Havana consensus was followed up at the UN General Assembly in its 34th session where it was resolved that, at its 1980 special session, global negotiations on international economic co-operation for development would be launched.

But the consensus for launching Global Negotiations has been followed by inaction. The most compelling reason is that the oil card is now played out. The success of conservation

played a minor role. But ultimately the world recession delivered the coup de grace.

In a sagging world oil market, with Opec in considerable distress, the Global Negotiations have lost their political rationale once again. Opec has nothing to offer, nothing to threaten: no quid pro quo therefore can be demanded from the North. Negotiations from strength, therefore, are simply unrealistic once again.

Evidently, therefore, there is a compelling case for suspending the Global Negotiations, at least temporarily. Trying to launch the unlaunchable is not just unproductive; it is also counterproductive.

But this step should be combined with simultaneous positive initiatives that seem presently to be negotiable. In particular, the fears over the international debt situation have opened up a genuine area of mutual concern that draws into its ambit a number of industrial countries of the North and South.

The resulting recent exploratory thoughts by U.S. Treasury Secretary Regan, suggesting that an international monetary conference might be organised, evidently with wide participation, represent an opportunity for the South to enter the scene actively.

Such an initiative would require both forceful political action (for example active mobilisation of the political leadership of the South) and careful economic preparation.

The endorsement of such a conference, at the Inter-Ministerial level, which would ensure adequate backup research and preparation, preferably coming in early 1984, is precisely what the South should now turn to. The ideal place to begin this would be this week's meeting in New Delhi. As in 1973 in Algiers and in Havana in 1979, the non-aligned nations can take a new turn of historic importance this week in New Delhi. A supportive flexible and pragmatic response to such a turn by the developed countries would be most desirable. This opportunity should not be lost.

The author is the Arthur Lehman Professor of Economics at Columbia University, New York and director of its International Economics Research Center.

## Letters to the Editor

## Choosing the means for change in monetary policy

From Professor T. Wilson.

Sir,—As Mr Samuel Brittan observed (February 28) the Government's financial strategy was modified over the past year or so. Although the change may not have been carried far enough to accord to monetary expenditure—nominal gross national product—as central a role as that long recommended for it by a number of people—namely Professor J. S. Meade and Mr Brittan himself—rather more official emphasis appears to have been given to it than was previously the case.

Thus an increase of about 10½ per cent was anticipated for last year, with real output going up about 1½ per cent and the remainder being dissipated in inflation. In the event, prices rose less but so, unfortunately, did output which increased by only 1 per cent. Thus the rise in expenditure was not on quite the expected scale, but the money stock, as measured by M3, did rise by about 10½ per

cent which was within its target range. The money stock is being used less actively, but this is not a new development. The velocity of circulation of M3—that is to say, the ratio of nominal GNP to M3—had already fallen from 3.80 in the second quarter of 1980 to 3.17 in the last quarter of 1981, and must now be still closer to 3.0.

At a superficial glance, this situation may seem reminiscent of the traditional Keynesian account of a depression when the substantial rise in public investment was recommended in order to offset an inadequate take-up of funds by the private sector. There is, indeed, a case for rather more public investment but not, of course, because we are really in a depression of the kind Keynes had in mind with interest rates at rock-bottom. For real interest rates are very high and the international obstacles to their reduction are only too familiar.

Mr Brittan, for his part, suggests that a lower pound may stem the decline in monetary expenditure. The fall in the pound should, indeed, help; but the old problem remains—that of preventing depreciation from being rendered ineffective after a time by demands for higher pay which, if resisted solely by a newly intensified financial clampdown, could entail the loss of whatever ground has been gained.

Mr Brittan is right to insist that changes in monetary expenditure should be given a more central place. The problem is then to assess how large the change should be and—as last year's experience illustrates—to choose the means most likely to ensure that this change will be achieved.

(Professor) Thomas Wilson, Department of Political Economy, University of Glasgow, Adam Smith Building, Glasgow.

is merely indicative of the extent to which the present arrangements rob the mobile in order to reward the stick in the mud.

In my view this cost would be more than offset by the additional mobility and motivation that freedom would bring.

M. D. Noor, Mill House, Hollingbourne, Kent.

## Increased IMF resources

From Mr W. Grey

Sir,—Wasn't Professor Michael Beenstock, in deploring the "schizophrenic" increase in International Monetary Fund resources (London, March 2), perhaps himself being a trifle over-dramatic? In relation to the size and regular growth of world liquidity, that once-for-all increase is of course, puny.

Furthermore, whether Third World indebtedness is a temporary (liquidity) rather than chronic (solvency) problem or not, surely anything which meanwhile helps defuse the consequent world banking crisis, without thwarting the spontaneous world economic recovery Professor Beenstock is looking for, is to be welcomed.

As for misdirected attempts to help the IMF find a new role, extending maybe even to a contra-cyclical world monetary policy capability, the past decade's loss of the old hardly provides convincing proof that any change here can only be for the worse.

W. Grey, 12 Arden Road, Finchley, N3.

## Just for the record

From Sir Harold Wilson

Sir,—Mr Samuel Brittan (London March 7) refers to the 1984 Government I headed, "which was pledged to the white heat of a technological revolution that never occurred."

This is an old legend made no more true by the fact that it is well recalled that the Government of Sir Alec Home went to the very end of the life of a parliament. Just before he called the general election, professor Patrick Blackett (later Lord Blackett) who had headed a scientific advisory committee to brief Hugh Gaitskell and later myself, warned me: "You will have just three weeks to save any hope of Britain's having her own computer industry."

On entering No 10, I found that HM Treasury, which was embarking on a computer programme was just about to place an order for an American product. My first item on our first Cabinet agenda referred to "projected purchases of American computers" and I secured full agreement from a Cabinet which included only one other former Cabinet minister, that the Treasury must buy British. We then took active steps to help.

This was by no means the only case, and on a later occasion I intervened to support another British firm which was in danger—now flourishing. Some years later, on the way to Balfour, I received serious news from one of the most successful and technologically advanced firms in Britain. There was a danger of closure arising from a temporary cash flow problem, so the Government stepped in: I made it clear that this was not to be an act of nationalisation. Some time after I left No 10, I read news reports of its restoration to private ownership. The Economist referring to the proceedings as a "sexy package."

I should refer also to the stimulus we gave to industry by an undertaking I had set up in my Board of Trade days in 1948, the National Reconstruction and Development Corporation. It was designed to help small businesses and larger firms in the high technology field. We were prepared to lose the initial capital to get these firms launched and their products sold; in fact, I was told later that by the mid-1970s it had made hundreds of millions of profits for the Treasury.

I shall be glad to put Mr Brittan on to further sources on this subject.

(Sir) Harold Wilson, House of Commons, SW1

## Company pension schemes

From Mr J. Sloan

Sir,—I think most people will agree with Mr J. Sloan (March 4) that a proposal to compel employers to apply for the benefit of each employee a uniform percentage of payroll for pension purposes is incompatible with the maintenance of final salary pensions.

What I fail to understand is why final salary pensions should be so sacrosanct. I cannot see any objection to the withdrawal by an employer of the final salary pension commitment thereby allowing the employer to make a job offer on the basis of £2 salary plus 5% company contribution towards pension irretrievably allocated to the employee (whether it be within the company pension scheme or within an employee's individual scheme) is immaterial. Granted that the employee will not know with any accuracy when he accepts these terms the exact amount of his pension, as this will be a factor of the length of his progression during that time. An approximate calculation of pension, however, could be made five years before retiring giving him time to augment this figure by Additional Voluntary Contributions if the pension calculation appears inadequate.

Additionally, if an employee was considering changing employment, he would be in a much better position to judge the relative merits of alternative offers when it is a simple comparison of £2 plus 5%

against £2 plus 5%. In addition to eliminating the "leavers versus stayers" injustice, this procedure would have the further advantages of allowing an employer to offer employment to a senior prospective employee in his 50s without being saddled with an enormous pension liability; allowing the employer to offer employment to a senior prospective employee in his 50s without being saddled with an enormous pension liability; and eliminating the pension problem which can arise on the takeover of a public company where the pension scheme of the acquired company is substantially underfunded. This fact is usually not discoverable before the acquisition completed.

J. Sloan, 23 Cromford Gardens, Edinburgh 4.

From Mr M. Noor Sir,—The president of the Society of Pension Consultants suggests (March 2) that giving employees the freedom to opt out of occupational pension schemes would be both extremely expensive and unpopular with older long serving members of staff. I would dispute this.

There must be many thousands of employees in their late forties and fifties who have reached the limits of their potential in their current jobs and who would welcome the chance to get renewed enthusiasm from some fresh challenge, perhaps in self employment, if only they could convert their pension rights to a private scheme on fair terms.

In so far as there is a cost to giving people this freedom it



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## ARMS BAN MOVE 'COULD TAKE INITIATIVE FROM SOVIET UNION'

# Nato allies call for new U.S. missile bid

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT

KEY EUROPEAN Governments in Nato want the U.S. to launch a new initiative on limiting medium-range missiles in Europe before the Geneva talks break for their spring recess on March 28.

In the wake of the West German election, the Nato Germany, led by Britain and Germany, argue that such a move by the U.S. might wrest the initiative from the Soviet Union and might lead to a balanced, if interim, agreement by the end of this year.

They argue that with the election of Chancellor Kohl and the probable reappointment of Herr Genscher as Foreign Minister, the Soviet Union should realise that Nato will begin to deploy the 572 cruise and Pershing II missiles by the end of this year, falling an arms control agreement.

That, they argue, should provide the incentive for the Russians to begin to negotiate seriously, which Moscow has not been prepared to do as long as a victory by the opposition SPD in Germany seemed possible.

Washington's European allies argue that, by making new proposals now, the West might recover the initiative in the Geneva talks, which was ceded last December after

considerable reductions in the Soviet medium-range arsenal of SS20, SS4 and SS5 missiles, as well as agreed ceilings on missiles in the Far East.

However, it is not yet clear whether the U.S. is ready to move as fast or as far as its allies would like.

Last month, President Reagan enunciated four criteria to govern U.S. consideration of a deal that would be less than the much publicised zero option, under which the U.S. would agree not to deploy the 464 cruise and 106 Pershing II missiles in Europe, provided Moscow dismantled all its equivalent medium-range nuclear missiles.

There appear, however, to be different views in Washington on whether it is wise at this stage to make concrete proposals that would amount to considerably less than the zero option.

That is partly because differences exist within the Administration as to whether Moscow is ready for real negotiations or whether it feels it can still undermine the deployment of the U.S. missiles by continuing to play on divisions within Nato.

There is also a fear that a public proposal that included specific numbers of weapons for each side

would undermine flexibility at the negotiating table. In Geneva, Mr Paul Nitze, the U.S. ambassador, who leads the U.S. negotiations, is believed to be on a tight rein, as is his Soviet counterpart, Mr Yuri Kvitinsky. It is believed that neither side may move without specific instructions.

On the U.S. side, the next ten days or so might be critical in determining whether an early move is made. Nato's high-level group of officials, which oversees the deployment of the new missiles, meets in Brussels at the end of this week, while the special consultative group, which is concerned with the Geneva talks, meets at the end of next week. That meeting would be expected to endorse any U.S. decision to move ahead in Geneva.

The package that Mr Nitze and Mr Kvitinsky worked out in their now famous "walk in the woods" near Geneva last July involved equal ceilings for both sides on medium-range nuclear weapons in Europe.

Each party would have 225 such nuclear "systems." Each would have 75 missile launchers and 155 nuclear-capable aircraft. On the missile side, because of the configuration of the two forces, that would ef-

fectively give the U.S. 300 nuclear warheads on cruise missiles in Europe, while the Soviet Union would have 225 warheads, all on SS20s. The agreement provided for a ceiling of 90 Soviet missiles in Asia.

It did not involve counting the British and French systems, which have been the centrepiece of subsequent Soviet proposals, including those made by Mr Andropov before Christmas. Neither did the Geneva proposal involve the deployment of U.S. Pershing II missiles in Germany.

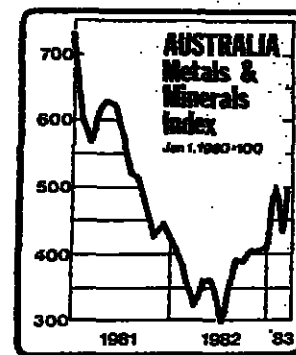
It must be doubtful whether the U.S. could now make proposals that did not at least provide for the possibility of deploying Pershing IIs. It would also be likely to seek a lower ceiling on the number of missiles that the Soviet Union would be permitted to deploy in the Far East.

For its part, the Soviet Union might find difficulty in accepting proposals, even as a basis for negotiation, which contained no reference to the British and French nuclear deterrents. To that extent, officials in Western governments believe, the onus for a successful agreement are now less good than they were last July.

U.S. demonstration, Page 4

## THE LEX COLUMN

# HK Bank calls up the reserves



Bank lending to industry and the construction sector picked up in banking February, but personal lending tailed off as the consumer boom ran out of steam. So the aggregate figure remains relatively modest and at the effective end of the year monetary growth has emerged bang in the middle of the target range.

This contrasting background for the Chancellor of the Exchequer in framing next week's UK budget took second place yesterday to Opec's unqualified debate, however, and gilt-edged sank with sterling.

## Hongkong Bank

As a de facto central monetary authority, the Hongkong Bank has traditionally put the confidence of the colony's financial community ahead of clarity in its published figures. Yesterday's preliminary announcement was no exception. Net profits for the year are reported to be 11.4 per cent higher at HK\$2.4bn. A change to equity accounting for associates makes any attempt at a half-year split difficult, but it seems that growth has slackened off sharply in the second six months.

The strains of shoring up the property sector and the deposit-takers must have taken their toll on the parent bank - especially after its selflessness in adopting some of Wardley's bad debts. Offsetting factors have been the benefits of a 14 per cent devaluation against the U.S. dollar and substantial gains on the U.S. bond market. Even Antony Gibbs has chipped in a profit after its 53.1m net loss in 1981.

Nevertheless, to show this outcome, the bank may have had to dig quite deeply into the proportion of profits quietly transferred into inner reserves. According to stockbrokers Greenwell, underlying profits may have been flat in 1982 at about \$3.4bn, implying an actual decline in the second half. Certainly the dividend signal falls well short of the normal exuberance, with the bank only managing to match its minimum forecast for the final payment. In London yesterday the shares sagged 20 to 80p, where the yield is 6 per cent.

The agreement comes at a critical time, both for the economy and for President Kenneth Kaunda, who faces parliamentary and presidential elections towards the end of this year. Dr Kaunda, who will make a state visit to Britain later this month, is expected to spend part of his time in London talking to bankers and businessmen.

He will take the opportunity to explain Zambia's plight and outline his Government's recovery programme. Copper and cobalt provide 98 per cent of Zambia's export earnings, but low prices in the past few years have left the economy in its worst position since independence in 1964.

One symptom is mounting arrears in payments to suppliers and delays in remittance of profits and dividends. They now exceed kwach 700m (\$595m), nearly 70 per cent of annual exports.

In January this year, Zambia met one of the conditions for the IMF facility when it devalued the kwacha by 20 per cent. It also announced the suspension of payments of principal on its external debts. Servicing payments in 1982, including IMF obligations, had risen to nearly 50 per cent of export earnings.

The IMF agreement is seen as the first of a three part recovery package. A Paris club meeting of creditor governments is expected to be called in April, followed by a conference of donors and institutions.

Mr Bitwell Kwana, Zambia's Central Bank governor, has been in London recently for talks on the programme and debt obligations with representatives of two of the leading banks in Zambia, Barclays and Standard Chartered.

With the preoccupation over Nigeria, whose stance is accepted as arising from its dire political and financial situation, no attention was given yesterday to the allocation of quotas within a limit of 17.5m b/d.

## Zambian accord on IMF standby

By Michael Holman in London

ZAMBIA has agreed with the International Monetary Fund (IMF) on a SDR 211.5m (\$152.2m) one-year standby facility to pave way for rescheduling of external debts on which payment of principal was suspended earlier this year.

The agreement is seen as a major step towards a comprehensive package of mid-year support to the Government of Zambia.

A formal announcement is expected when the IMF board meets next month but a letter of intent has already been signed.

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## Ten 'lose control' of farm spending

By John Wyles in Strasbourg

MR Christopher Tugendhat, the EEC Budget Commissioner, virtually conceded yesterday that the European Community was losing control of agricultural spending and was unlikely to have money next year for the "fertility development" of non-farm policies.

He warned the European Parliament in Strasbourg that all the Community's available budget revenues of around 27bn European Currency Units (ECUs) looked likely to be spent next year because of soaring demands from the farm sector.

He predicted a 1984 rise of around 20 per cent in agricultural spending. If this is correct, the growth in allocations for social, regional and energy policies would be severely constrained.

The absence of any spare cash within the 1 per cent value-added tax ceiling on budget revenues (own resources) would also make it virtually impossible to pay adequate reimbursement to the UK on its payments to this year's EEC budget.

That message was communicated in a speech designed to dissuade the Parliament from backing a call by its agriculture committee for a minimum 7 per cent increase in farm prices from April 1.

Mr Tugendhat's most remarkable disclosure was that the Commission's own proposals for an average 5.5 per cent rise was now too large to ensure that farm spending is kept under control.

The Commission has tried to keep the growth in the farm budget in line with the annual rise in the EEC's budget revenues - about 10 per cent.

Mr Tugendhat, however, claimed yesterday that the 5.5 per cent proposal, coupled with the soaring cost of overproduction, would lead to an expenditure rise next year "double that of the increase in available own resources."

Traditionally, the agriculture ministers add a percentage point or two to the Commission's price proposals.

If they follow the Parliament's proposals for a 7 per cent price rise without measures to curb overproduction, Mr Tugendhat predicted a 2.2bn ECU increase on this year's farm budget of 14.03bn ECU.

This forecast, however, does not take account of likely market developments which Mr Tugendhat has built into his estimate of a roughly 2.8bn ECU rise in agricultural spending on the basis of the Commission's lower price proposal.

## Howden losses, merger costs push Alexander into the red

BY RICHARD LAMBERT IN NEW YORK

ALEXANDER and Alexander, the world's second largest international insurance brokerage firm, yesterday disclosed that the costs of its acquisition of the Howden group, the London broker, have been even heavier than expected. A and A reported a net loss of \$19.9m in the final quarter of 1982, and a large part of the downturn stemmed from losses in Howden's underwriting activities.

The group had already announced a \$40m extraordinary charge against earnings in the third quarter of the year following a write-down in the value of Howden's assets.

For the year as a whole, A and A's net income plunged from \$57.7m to \$15m, before allowing for the \$40m charge. The group said yesterday that if it had not acquired Howden, its net income for the year would have been \$36.1m after tax.

The Howden group, for which A and A paid around \$300m, reported an operating loss of around \$300,000 for the year. Costs associated with the purchase, including interest expenses, legal costs, and amortisation came to \$20.7m, before taking account of the extraordinary charge.

Mr John Bogardus, A and A's chairman and chief executive, said that "we have put 1982 behind us and are optimistic that the company will regain its momentum in 1983." The group had not lost any senior executives as a result of the merger, he added, and the fundaments of the organisation remained strong.

"We have had a bad merger, and

we hope to resume our previous strong earnings record," Mr Bogardus added. There were no pressures for any boardroom changes, and no class actions had been started by shareholders against the company.

The group was now evaluating its posture and position in the insurance underwriting business, Mr Bogardus said. Mr Joseph Morahan, previously chairman of one A and A's existing underwriting businesses, was to assume management responsibility for Howden's two main underwriting operations, Sphere Drake and Atlanta International.

Although the group had yet to determine its long-term plans for these companies, there would be no sale of their assets in the near future.

Mr Bogardus confirmed that A and A had started litigation against four former Howden executives and Mr Ian Postgate, the former leading underwriter at Howden. But he said it would be some time before the litigation was likely to come to court.

The group had no litigation against the auditors and investment banks involved in the deals but was "considering any way in which we can effect recoveries."

In the final quarter of the year, Howden's operating profit dropped from \$18.1m to \$1.2m. Most of that setback has the result of a slowdown in A and A's original business, where expenses rose by around \$18m and revenues were only about \$3m higher.

Mr Bogardus blamed the soft insurance market for the fall in revenues, and said that A and A's estab-

lished business had not been damaged by the Howden merger. Howden itself had suffered some relatively modest shrinkage in its direct broking business, but its reinsurance side had not lost business.

However, the biggest item in the final quarter setback was a \$17.5m downturn to a loss of \$15.9m in the group's share of income in its unconsolidated subsidiaries, mainly the Howden underwriting activities.

The group has bolstered the reserves of Sphere Drake by another \$10m, making a total investment of \$45m in Howden's underwriting reserves during the second half of the year.

In addition, it has suffered a book-keeping loss of \$7m, which represents an amortisation of the fair value discount for the liabilities of the insurance fund. This has been made necessary by the fact that losses have been coming through more quickly than had been expected, with an adverse impact on cash flow.

The group has not yet completed its final balance sheet, but it indicated yesterday that its tangible net worth at the end of the year would be over \$100m, and its debts would be over \$200m. It said it was satisfied this was a sufficiently large equity base.

Discussing the outlook for 1983, Mr Bogardus said he thought that the insurance market would remain very soft during the first half of the year, but he was expecting a gradual improvement thereafter. As a result, he hoped the group's earnings would pick up over the year.

## Nigeria threat to oil price pact

Continued from Page 1

threat from Iran's refusal to limit its production or contemplate a reduction in the official Opec reference price from the present level of \$34 a barrel to \$28.50 to \$30. It creates the danger of a general and dramatic collapse of oil prices. The majority had still not decided what the correct rate should be, but the consensus was that it should be no less than \$1 below African and North Sea crudes.

Yesterday the seriousness of the situation facing Opec was emphasised by Sr Humberto Calderon Bert, Venezuelan Minister of Energy and Mines, who said: "If there is no agreement when we meet in one or two weeks' time, we will not be discussing oil at \$30 per barrel but maybe \$25." In answer to a question from an oil trader, he said that if he were in the business, he would not buy in the present situation.

Nigeria's uncompromising stance

Mallam Dikko did not say how far his Government would raise its output above the 1.3m b/d or so currently acknowledged to be Nigeria's fair share under a collective ceiling of 17.5m b/d.

But he shocked moderate delegations intent on securing an accord calculated to defend a lower reference price at a strained ministerial meeting with his insistence that his country should be given a competitive edge over the UK and Norway.

Opec's difficulties are compounded by the fact that Algeria and Libya produce similar varieties of crude.

Most other members say Nigeria's oil has a slight advantage over North Sea crude in terms of quality, and that it would enjoy, therefore, some advantage if the prices of the two were at parity.

Nigeria's uncompromising stance

came as an almost devastating blow to hopes of a serious accord after the rejection by Mr Mohammed Ghazali, Iranian Minister of Oil, of a reduction in \$34 reference price (though his country is charging \$27 or less) and his insistence on a production rate for itself of no less than 3m b/d.

The consensus of the majority - in particular, the Gulf Arabian producers - is that the price should be left to go its own way. Any possible agreement, they considered, would have to be drawn up without its adherence, but taking into account Tehran's policy.

With the preoccupation over Nigeria, whose stance is accepted as arising from its dire political and financial situation, no attention was given yesterday to the allocation of quotas within a limit of 17.5m b/d.

Nigeria's uncompromising stance

## Uruguay seeks delay

BY PETER MONTAGNON IN LONDON

URUGUAY has asked its commercial bank creditors for a 90-day moratorium on repayments of principal to allow time to work out a detailed plan for rescheduling some \$570m of debt maturing this year.

The moratorium, which has become an almost standard procedure for countries seeking debt rescheduling, would expire in early June. Uruguay announced last month that it intended to seek a rescheduling as well as up to \$250m in new loans to finance its balance of payments deficit this year.

With the moratorium, it has now put this in motion. An advisory committee of leading creditor

banks is being formed under the chairmanship of Citibank formed to handle negotiations. Other banks involved include Bank of America, Bank of Nova Scotia, Credit Suisse, Lloyds Bank International and Manufacturers Hanover.

Bankers said yesterday that they hoped to keep Uruguay's rescheduling low-key and straightforward as only around 70 banks are involved, but an advisory committee meeting scheduled for March 16 is likely to be postponed to allow Uruguay more time to prepare economic data, especially on its foreign-exchange cash flow. Uruguay has over \$30m in total foreign debt

## World Weather

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# SECTION II - INTERNATIONAL COMPANIES FINANCIAL TIMES

Wednesday March 9 1983

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## Rhone talks on fibre plant conversion

By David Marsh in Paris

RHONE-POULENC, the French state-owned chemicals group, has been holding talks with Boussac Saint Freres, the textiles company, about converting its artificial fibres plant at Boussac in central France, which is due to close at the end of the year.

The plan is for Boussac to use the factory to make hygiene articles such as toilet paper, sanitary towels and babies' nappies, for which the company has detected a growing market currently being met by significant imports.

About 150 of Rhone-Poulenc's 300 workforce at the factory could be absorbed by the new business, with 70 people being redeployed in the chemicals group and 75 being retired early.

As part of the agreement, Rhone-Poulenc's industrial plant company, Sopram, will co-operate with Boussac in converting to new operations the textile company's plants in Picardy in northern France, aiming to create 150 jobs.

Boussac's FFr 577m (\$94.5m) investment plan for 1983 provides increased spending in the hygiene products sector, which now makes up 30 per cent of its turnover.

The Poulenc brand of nappies has been earmarked for particular development.

## Carrefour experiences slowdown

By David Housheer in Paris

CARREFOUR, France's leading supermarket group, experienced a slowdown in net consolidated profits last year which grew by 8.8 per cent to FFr 312m (\$45.7m) after a 23 per cent increase in 1981.

The group blames the slowdown on the price freeze and the squeeze on margins that the French Government imposed after last June's devaluation. The group was also hit by a dip in consumption in France.

Profits before tax and before deductions for employees' profit participation fell by 1.2 per cent to FFr 739m on provisional figures. Turnover boosted by sales from the group's foreign interests rose by 14.6 per cent to FFr 16.3bn. Carrefour's main overseas outlets are in Spain and Brazil.

The slowdown in consumption hit French sales after August and has continued in the early months of this year.

## Enserch takes half stake in Swiss building group

BY JOHN WICKS IN ZURICH

ENSERCH of Dallas will acquire for SwFr 18m (\$8.6m) a 50 per cent stake in Losinger, Switzerland's largest construction company. This comes after major losses for 1982 from the Berne-based group, due to irregularities on the part of its U.S. subsidiary, VSL Corporation, Los Gatos, California.

Enserch will buy shares with a nominal value of SwFr 20m of Losinger's SwFr 40m existing capital at a price of SwFr 450 per SwFr 500 unit. These had been quoted at about SwFr 430 to SwFr 440 when trading in Losinger shares was suspended last month.

Enserch will also grant Losinger a seven-year subordinated convertible loan of SwFr 20m. This loan is renewable. However, should conversion take place this would make the Dallas company Losinger's controlling shareholder.

The shares will be bought from

the stock market, Union Bank of Switzerland (UBS) and a family holding company. Between March 15 and 29, UBS will make a stock-market offer of SwFr 450 per share. The difference between the resulting purchase - some 20 per cent of share capital is presently owned by the public - and the 50 per cent Enserch stake will be made up by the family, which holds 45 per cent of the capital, and UBS, itself with a 25 per cent shareholding.

Mr Hans Georg Elsasser, Losinger's general manager, said yesterday that an auditor's report had shown accumulated losses for VSL Corporation of about \$32m to September 30, 1982.

The Losinger group would have completed 1982 with profits of SwFr 2.6m, except for the U.S. losses which have brought about a consolidated loss of SwFr 61m.

According to Mr Vinzenz

Losinger, chairman, the international operations of the group - which last year accounted for about SwFr 410m of a combined turnover of SwFr 780m - had been jeopardised by the depletion of parent company capital resources to only about SwFr 30m. A "strengthening of group potential" in the foreign sector, which was expected before the discovery of the U.S. losses, had therefore become essential, he said.

Co-operation between Losinger, which has a particularly strong position in pre-stressed concrete structures, and Enserch's New York-based Ebasco subsidiary is seen as promising for the future.

Ebasco is the engineering and construction division of Enserch and specialises in power-station projects.

Ebasco accounted last year for about 18 per cent of Enserch's group turnover of \$3.78bn.

## Prudential set to enter banking

By Our Financial Staff

PRUDENTIAL INSURANCE of America, the largest insurer in the U.S., has given notice that it may buy a bank or thrift institution to keep up with its financial services competitors.

Prudential also disclosed that it had written off \$125m of loans to Braniff International, the Texas-based airline which filed for bankruptcy in May, and International Harvester, the troubled U.S. truck and farm equipment manufacturer. The Prudential also said two large Mexican industrial concerns were not paying interest on \$24m of loans.

Prudential's disclosure that it is actively considering the purchase of a bank was made by Mr Robert A. Beck, chairman and chief executive. Responding to a question at a news conference, Mr Beck said a bank purchase was "a possibility" and that the Newark, New Jersey-based insurer has "no specific property in mind."

But its entry into banking could demolish the already crumbling walls separating banking and insurance. Prudential previously triggered a revolution in the securities industry by buying Beebe Group, the brokerage and investment firm, for \$385m in 1981, a move that quickly led to several takeovers of other securities firms by companies outside the industry.

Federal banking laws have been interpreted as barring a bank from owning an insurance company, and an insurer from owning a bank. But Mr Beck said: "Technically, we think this is an option available to us."

He indicated that Prudential would probably buy a small existing bank or thrift, rather than establishing a new one.

Mr Beck said that Prudential was interested only in offering banking services that can be marketed by its insurance agents and Beebe

## IBM offers more with the colour personal computer

BY LOUISE KEHOE N SAN FRANCISCO

IBM announced a new higher performance version of its personal computer yesterday and cut the price of its original model by about 15 per cent.

The new XT model uses the same basic components as the original personal computer but includes more data storage capacity, communications capability and an optional colour screen.

The basic price of the XT is \$4,995. Demonstration models of the new computer reached U.S. computer stores last week. "This is an aggressively priced enhancement of the personal computer," said market analyst Mr Bill Ahlborn, of Future Computing.

IBM's price cut is widely seen as a reaction to the several "IBM-compatible" personal computers that have been introduced by Texas Instruments and others recently.

"Texas Instruments will have to drop its price now," predicted Mr Ahlborn.

The IBM XT model includes 128 K of built-in memory - up from 16K on the original PC. A major en-

hancement is the inclusion in the basic price of a 10-megabyte hard disk unit. The computer's diskette drive also offers expanded storage capacity of 360K bytes.

The XT has a built-in communications adapter that allows the unit to exchange information with other IBM personal and mainframe computers.

The XT is designed for first-time and experienced users of personal computers," said Mr Philip D. Estridge, vice-president of IBM's system products division.

IBM is currently estimated to hold a 15 per cent share of the total personal computer market, according to Future Computing, and is expected to gain 18 per cent of the market this year.

IBM is gradually becoming a full-line personal computer supplier attacking all segments of the market.

The computer giant is expected to introduce a lower cost home computer priced below \$2,000 later this year, as well as a higher performance machine costing around \$10,000.

## Magnuson Computer files for Chapter 11

By Our New York Staff

MAGNUSON Computer Systems, once a high-flying Californian business computer group, plans to file for protection under Chapter 11 of the bankruptcy code.

Mr Charles Strauch, president, said on Monday that the group had been attempting to restructure itself out of its own cash flow. "We were well on our way toward achieving this goal early last autumn, but IBM's October, 1982, pricing and product announcement had a very negative effect on the pricing of our product line," he said.

Magnuson competes with IBM by selling so-called plug compatible computers that operate like IBM machines but sell for less. Its present problems are the result of an ambitious plan to gear up production for a powerful new product line in the early 1980s.

The company's 1982 profits showed a loss of \$21.6m on revenues of \$18.4m.

## Vendex International offers to lift interest in KBB to 40%

BY OUR AMSTERDAM CORRESPONDENT

VENDEX INTERNATIONAL, parent company of Vroom and Dreesman, the leading Dutch stores group, yesterday offered to increase its stake in KBB, its ailing rival, from 20 to 40 per cent.

The move, costing at Fl 41m (\$15.54m) is the major element in a recovery package intended to restore KBB to profit by 1984.

Details of the package are expected today. Meanwhile, trading in KBB shares was suspended on the Amsterdam Stock Exchange.

In January KBB, which owns the prestige Bijenkorf department stores and the Hema bargain stores chain among other interests, came close to collapse, with debts of Fl 80m. Ambitious plans for expansion, both up-market and overseas, were shown to have been misperceived, and KBB's latest proposals

are expected to reflect a determination to cut back substantially on subsidiaries and jobs.

The Vendex offer to increase its holding in KBB is not unexpected. Vroom and Dreesman is flourishing, and its management is highly regarded.

An injection of capital and ideas from such a source could only benefit KBB, and a consequent recovery could make the group in the long term an asset to Vroom and Dreesman.

Vendex said its offer had been made in respect of the KBB holdings of Kavee BV, a private venture which also owns a stake in KBB Bijenkorf.

KBB made a pretax loss of Fl 34m in 1981. A further Fl 21.4m was lost in the first six months of last year.

Mr Rudolf Slavenburg, a director of the Dutch Slavenburg Bank, is stepping down from his duties pending the results of a police inquiry into alleged financial irregularities affecting senior members of the bank's staff.

The decision followed a late-night meeting of the management board, the bank's highest governing body.

Slavenburg's Rotterdam headquarters and two other branches were raided by the Dutch fiscal police last month. The bank said yesterday that reorganisation measures were now being put into effect, with the help of Credit Lyonnais - holder of 78 per cent of Slavenburg's shares - and that the bank could now carry out business "in the best possible manner."

These measures have the support of the Netherlands Central Bank.

## Penney to buy video communications system

BY OUR FINANCIAL STAFF

J. C. PENNEY, the second largest U.S. retailer, is moving into the area of video communications with the acquisition from First Bank System of Minneapolis of Videotext Systems.

Videotext provides two-way visual communication which could be used for home banking, home shopping, electronic mail and electronic newspapers.

Penney plans to experiment with the system with the ultimate aim of establishing a joint venture with money centre banks or other financial institutions.

Among the operations to be transferred to Penney under the deal with First Bank System is the FirstHand Videotext Pilot Program, which the bank operates in some North Dakota farming communities. About 250 subscribers use the system to gain information about soil and weather conditions.

Initially, Penney plans to add to this its own retail catalogue and similar marketing information from other retailers.

Penney is clearly keen to gain a foothold in an area where others have already seen growth potential

## Bechtel to cut stake in bank

By Our New York Staff

THE BECHTEL family is to sell some of its shares in Dillon Read, the big Wall Street investment bank, to the firm's managers and as a result will no longer control a majority shareholding in the business. The family acquired a controlling interest in Dillon Read in 1981, and in recent months there has been considerable speculation that the ties between the two were about to be loosened.

The Bechtel family, which also controls the large civil engineering and construction group, Bechtel Corp., owns its shares in Dillon Read through Sequoia Ventures, a family controlled business.

## Kosmos profit kept afloat by ship sales

BY FAY GJESTER IN OSLO

KOSMOS, a leading Norwegian shipping group which also has oil and industrial interests, achieved a pre-tax profit of Nkr 118m (\$16.8m) last year with income totalling Nkr 197m from ship sales and other extraordinary items. An unchanged dividend of Nkr 20 per share is proposed.

The pre-tax result before extraordinary items was a loss of Nkr 79m, compared with a profit in 1981 of Nkr 50m, but "significantly better" results are expected this year according to ship owners Bjørn Betum. Liquidity is good after the sale of 10 vessels during the past two years.

Kosmos' shipping and oil activi-

ties last year showed an operating loss after depreciation of Nkr 48m, compared with an operating profit of Nkr 19.2m in 1981. Gross freight earnings fell to Nkr 632m, from Nkr 787m.

The group lost considerable amounts on unprofitable charters from other owners, but now only one of the 17 vessels in the fleet under its management is chartered from outside interests.

Kosmos has a 50 per cent stake - \$40m - in an accommodation platform, under construction at a French yard, for which no charter has yet been secured. It is due for delivery in September.

## Venezuela to meet with EBC

By Alan Friedman in London

VENEZUELA's state-owned Banco Industrial de Venezuela (BIV) has responded to a \$30m lawsuit by the European Banking Company (EBC) with an offer to meet the bank in an effort to resolve the dispute.

EBC's Brussels arm filed a legal action in Caracas last month to recover \$30m plus an additional \$1.6m of interest and arrears on two separate 90-day advances made last September to BIV. The lawsuit comes at a sensitive time for Venezuela, which is now involved in negotiations on the rescheduling of \$9bn of short-term debt.

Bankers involved in the EBC-BIV affair said yesterday they had still received no repayments.

This announcement complies with the requirements of the Council of The Stock Exchange in London. It does not constitute an offer of, or invitation to subscribe for or to purchase, any securities.



## Inter-American Development Bank

U.S. \$100,000,000

11% Bonds due 11th December, 1992

CITICORP INTERNATIONAL BANK LIMITED

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The Bonds, issued at 100 per cent, have been admitted to the Official List by the Council of The Stock Exchange subject only to the issue of the Temporary Global Bond.

Interest will be payable annually in arrears on 11th December, commencing 11th December, 1983.

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9th March, 1983

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11 per cent. Guaranteed Notes 1988

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Banque Generale de Luxembourg S.A.	Banque Internationale a Luxembourg S.A.	Baring Brothers & Co., Limited		
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Kuwait International Investment Co. s.a.k.	Morgan Grenfell & Co. Limited	Morgan Guaranty Ltd		Morgan Stanley International
Nederlandsche Middenstandsbank N.V.	The Nikko Securities Co., (Europe) Ltd.	Nippon Credit International (HK) Ltd.		
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In accordance with the provisions of the Notes, notice is hereby given that for the  
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 will carry interest at the rate of 9½ per cent. per annum.  
 The interest payment date will be 9th September, 1983. Payment which will amount  
 to US \$237.99 per US \$5,000 Note, will be made against surrender of Coupon No. 2.

J. Henry Schroder Wagg & Co. Limited  
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## Hongkong Bank lifts full-year profit 11%

BY ROBERT COTTRELL IN HONG KONG

THE HONGKONG AND SHANGHAI Banking Corporation has announced net disclosed profits for 1982 of HK\$2,386m (US\$305.6m) an increase of 11.3 per cent over the HK\$2,126m recorded for 1981.

Prior year figures have been adjusted to reflect the introduction of equity accounting. Net profits for 1981 were stated last year at HK\$226m.

Hongkong Bank, both the largest bank and the largest public company in the Territory, proposes a final dividend of 37 cents, making 55 cents for the year, an adjusted increase of 12.2 per cent. The bank also proposes a one-for-ten scrip issue. It expects at least to maintain the current year's dividend on the enlarged share capital.

The bank has already announced 1982 profits from two important subsidiaries, the Hang Seng Bank, which recorded a 20 per cent increase, and Wardley, its merchant arm, which showed an 18.4 per cent fall.

The group results are also thought to reflect strong performance by two other subsidiaries, the British Bank of the Middle East, and Anthony Gibbs, whose return to profit in 1982 from a 1981 loss of \$3m (US\$4.5m) was predicted in last year's group annual report.

The Hongkong Bank's domestic profits are thought to have been trimmed by provisions in respect of certain

local corporate loans. The bank is exposed to both Carriann and Eva, two troubled local property groups. The former is seeking debt restructuring, while the quoted interests of the latter are now in liquidation.

Two Hong Kong banks, the Overseas Trust Bank and its quoted subsidiary the Hongkong Industrial and Commercial Bank (HICB), have announced lower interim profits and dividends for the six months to December 31 1982.

Overseas Trust Bank (OTB) reports profits after tax and minorities of HK\$76.3m (US\$11.5m) against HK\$87.2m in 1981. The dividend has been cut from 14 cents to 12 cents, while earnings per share fell from 35 cents to 27.

Net profits after tax and minorities at HICB totalled HK\$17.2m against a prior year interim result of HK\$25.7m. Earnings per share fell from 30.18 cents to 20.35 cents, while the dividend is cut from 12 to 10 cents. HICB proposes a one-for-10 scrip issue, and says it will be issuing 8.5m new shares at HK\$4.51 per share to Express Finance and Investment, which is also a subsidiary of Overseas Trust Bank.

Hong Kong's Securities Commission has appointed inspectors to investigate the affairs of Eda, whose quoted arm, Eda Investments, was placed in liquidation by court order 11 days ago.

## PIA ahead in first half

PAKISTAN INTERNATIONAL AIRLINES (PIA), the national flag carrier, has posted an operating surplus up 11 per cent at 226.3m rupees (\$17.7m) for the half-year to December 31, reports Mohammed Aftab from Islamabad.

Passenger revenues increased 11 per cent, on higher rates and an increase to 1.5m in numbers flown, compared with 1.6m in the corresponding six months in 1981. Freight income declined by 8 per cent, "because of the international recession."

## RESULTS SHOW IMPACT OF POST-DATED CHEQUE CRISIS

# Bahrain OBU's make big provisions

BY MARY FRINGS IN SAHRAIN

THE EFFECT of the Kuwaiti stock market crash on Bahrain's offshore companies is apparent in the first batch of annual reports to become available since the crisis broke in September 1982.

Two publicly-owned offshore investment companies have had to make substantial provisions against their combined holding of \$340m in post-dated cheques, and a third has virtually written off half the \$63m cost of its investments in securities quoted on the collapsed Souq al Manakh exchange in Kuwait.

Auditors have generally followed the instructions issued in December by the Kuwait Ministry of Commerce and Industry, relating to the minimum acceptable accounting treatment of post-dated cheque transactions by Kuwaiti companies.

This means that cheques from so-called troubled debtors, whose names have appeared in Kuwait's official gazette, are reduced to the cash value of the stocks at the time of the transactions, while the maximum annual rate of profit on transactions with other debtors is limited to either 25 per cent or half the agreed amount. Nevertheless they add the rider that it is impossible to determine accurately the provision against post-dated

cheques which may ultimately become necessary.

Gulf Investment Company (GIC), whose 1979 share issue in Bahrain was the first to attract massive over-subscription (by a factor of 1.263), has made a provision of \$54.6m against post-dated cheques amounting to \$200m, of which \$35.7m were "notes receivable from troubled debtors."

The company declared a profit for 1982 of \$37.7m (excluding a \$2.4m share in undistributed earnings of affiliated companies) compared with \$50m in 1981. Despite an admittedly difficult cash flow situation, the directors have proposed a 5 per cent cash dividend to shareholders, amounting to \$14.6m.

GIC has a paid-up capital of \$288m and total shareholders' equity of \$380m. The results are consolidated with those of nine wholly-owned subsidiaries, formed mainly to look after its real estate interests in the U.S. Apart from its Gulf share dealings, GIC has investments in real estate valued at \$150m, including 50 per cent of a 44-storey building in New York's Park Avenue harbour. It also has \$111m in five subsidiary and affiliated companies, including 48 per cent of Bahrain Light Industries, which is building a

furniture factory. A further \$41m is classified as trade investments, that is equities in which the company holds less than 20 per cent. Long-term loan liabilities total \$37.6m and short-term borrowing and overdrafts \$67m.

The \$64m investment in the Park Avenue harbour was originally financed by a syndicated loan arranged by Kuwait Foreign Trading and Contracting Company, for which repayments were due in four quarterly instalments. The company met the first two, but when the collapse of the Souq al Manakh cut off the flow of liquidity, GIC was able to refinance the outstanding \$24m plus interest with a five-year loan arranged by Mellon Bank.

The post-dated cheque position of Pearl Investment is less explicitly stated. This is partly because Pearl's involvement in through five investment portfolios whose net assets at December 31, 1982 were stated to be \$304m, of which the company's share was \$174m. Its total assets of the portfolios were stated to be \$310m including \$233m in post-dated cheques. Provision of \$54.6m was made against these cheques, of which Pearl's share was \$32.6m, so by taking this provision as a percentage of the

whole the company's holding of post-dated cheques appears to be approximately \$140m.

Pearl declared a 1982 profit of \$34m against \$35m in 1981, and has proposed a 15 per cent cash dividend amounting to \$22.5m. The balance sheet shows paid-up capital of \$150m and total shareholders' equity of \$182m. Apart from the investment portfolios, its other equity investments add up to some \$40m, while short-term borrowing is shown as \$17m.

Gulf Consolidated Company for Services and Industries, which is mainly an investment company since it hived off its service activities into a number of subsidiaries. It was established at the end of 1980 and showed a profit of \$24.4m in 1981.

This fell in 1982 to \$3m largely due to a provision of \$30m against its investments in local securities and it proposes no dividend for 1982.

Although the company was established in 1980, it states that none were from troubled debtors and therefore, no provision was thought necessary. The company, which has a minority Filipino shareholding, has fall-back capital of \$149m and total equity of \$162m.

## Public Bank to double capital

BY WONG SULONG IN KUALA LUMPUR

PUBLIC BANK will become Malaysia's third largest bank after a capital restructuring exercise which will more than double its paid-up capital to 168m ringgit (US\$74m) from the present 70m ringgit.

The bank said yesterday it was proposing to capitalise on 42m ringgit from its share premium account and reserves, and to make a three-for-five scrip issue to be followed by a one-

for-two rights issue. The 50m shares under the rights issue would be priced at 2 ringgit, raising 112m for the expansion programme, which includes opening 10 new branches this year.

The two biggest Malaysian banks in terms of paid-up capital are Bank Bumiputra (476m ringgit) and Malayan Banking (180m ringgit) both of which are indirectly under govern-

ment control. Public Bank is controlled by businessman, Dato Teh Hong Piow.

Until five years ago, Public Bank was a small listed bank, and even in 1980, its paid-up capital was only 20m ringgit. It has expanded rapidly, and after-tax profits rose from 2.5m ringgit in 1977 to a record 18.4m ringgit for 1981.

A pre-tax profit of 50m ringgit is expected for 1982.

## Japanese banks fight brokers' loan plans

THE Japanese Federation of Bankers Associations has filed a memorandum with the Finance Ministry opposing a stockbrokers' plan to issue loans to individuals secured on national bonds, reports Reuters from Tokyo.

Under the present Japanese system of dividing banking and securities businesses, stockbrokers should not be allowed to issue loans of a general nature to the public, the memorandum said. The federation suspects that securities firms are aiming to introduce integrated securities-deposit accounts or cash management accounts.

The Federation of Securities Dealers Associations is seeking the approval of the Finance Ministry for its plan to let securities firms issue loans secured on national bonds in the near future.

This is to counter a plan by Japanese banks to issue loans secured on national bonds when they start selling such bonds to the public from April 1.

## Lower tax charge boosts DBS

BY GEORGIE LEE IN SINGAPORE

THE Development Bank of Singapore (DBS), has reported an increase of 13.8 per cent in group profit after tax and minority interest to \$8128.3m (US\$61.7m) for the year ended December 1982.

In 1981, the group reported a 63 per cent growth rate. But market observers considered DBS's performance last year

satisfactory, given the recessionary conditions and the difficulties faced by banks in the international loans sector.

Group pre-tax profit was 5.6 per cent higher at \$8198.6m. The tax charge declined by 7.5 per cent to \$369.9m.

The profits of the bank itself, however, were not as encouraging as the group figure. Pre-tax

profit fell by 5 per cent to \$8163.9m.

This was partly due to a technical factor as one of the bank's major properties, Plaza Singapura, was transferred to a subsidiary resulting in rental income being reflected at the group level. Another reason is the heavier provisions for possible loan losses.

New Issue

March 2, 1983

# SallieMae

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Dated March 10, 1983  
 Price 100%

Due January 6, 1988  
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Interest is payable on July 6 and January 6 and accrues from March 10, 1983. The Notes will be issued in Book-Entry form only. The minimum purchase amount is \$10,000 with multiples of \$5,000 in excess thereof.

These Notes are the obligations of the Student Loan Marketing Association, a U.S. government-chartered, private corporation established by the Higher Education Act of 1965, and are not obligations of, or guaranteed by, the United States. The Notes are legal for investment by savings banks, insurance companies, trustees and other fiduciaries under the law of many states.

This offering is made by the Student Loan Marketing Association with the assistance of a nationwide Selling Group of recognized dealers in securities.

Roger C. Pastore  
 Vice President, Corporate Finance

Mitchell A. Johnson  
 Assistant Vice President, Fiscal Agent

## Student Loan Marketing Association

1050 Thomas Jefferson Street, N.W. Washington, D.C. 20007

This announcement appears as a matter of record only.

NEW ISSUE

February, 1983

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\$35,000,000

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Interest Payable on March 1 and September 1 in Each Year

The Debentures are convertible into Common Stock of the Company at any time prior to maturity, unless previously redeemed, at \$42½ per share, subject to adjustment under certain conditions.

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MONTGOMERY SECURITIES

All of these securities have been sold. This announcement appears as a matter of record only.

February, 1983



## VLSI TECHNOLOGY, INC.

4,000,000 Shares

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## INTL. COMPANIES &amp; FINANCE

Stewart Fleming sets the scene for a final act

## AEG settles with glum creditors

IN FRANKFURT'S Festhalle this morning the curtain will rise not on a rock concert or a congress, but on what West German bankers fervently hope and pray will be the final act of a drama which has dragged painfully on for four years and more, the financial collapse of AEG-Telefunken.

It is exactly seven months since West Germany's second largest electrical concern, a company with sales revenues of some DM 15bn (\$8.3bn) in 1981, was finally forced to announce that it was no longer able to pay its bills and that it was seeking protection from its creditors through composition proceedings (Vergleich).

The final act of those proceedings, the approval by the domestic creditors of the composition, is the object of the meeting today. To the relief of the company and its bankers, however, the drama which it was once feared might surround this occasion has been defused. The court appointed administrator, Herr Wilhelm Schaaf, has already received written commitments which assure him that the restructuring of AEG's liabilities of DM 7bn when it collapsed, will be overwhelmingly approved. Herr Schaaf will however still have the task of monitoring the company for 18 months.

Thus, in an unprecedented act of indulgence, AEG's creditors (mostly German banks if the pension fund is excluded) will glumly agree to write off fully DM 1.8bn of the DM 8bn they owed. These same creditors have already (in the wake of AEG's insolvency on August 9 last year) agreed to pump DM 1.1bn of new funds into the concern against the security of a prior claim in any winding up. Together with a matching DM 1.1bn of Government loan guarantees and DM 600m of Government export credit guarantees, this brings the sum of new finance and loan write-offs to the princely total of DM 4.6bn. Rarely, it can be said with confidence, has a company which has disappointed so many for so long found itself on the receiving end of such riches.

In the past few weeks AEG's public relations machine has been grinding out incessant propaganda aimed at convincing both the taxpayer and the banker that he is contributing to a good cause, and that the immense efforts which have been undertaken to save the company from the scrap-heap

have been worth while.

Thus the company disclosed at the end of February after a crucial meeting with its bankers, that only DM 890m of the DM 2.5bn of new credit lines have been drawn down and that DM 450m of this was merely to provide security against guarantees it granted in the course of its normal business.

It revealed too that sales had not collapsed last year as some had feared would happen as a result of its all too well publicised financial problems. Instead, on a comparable basis, allowing for the sale and closure of some of its operations, turnover was up 1 per cent in 1982 at DM 13.9bn.



Heinz Dürr (left), the chairman of the board of management of AEG-Telefunken has faced the task of bringing the company through seven months of protection from its creditors through composition proceedings

It conceded that it would report an operating loss of DM 980m for 1982 and that in addition its 1982 accounts would bring in some DM 1bn of restructuring costs which are being incurred in the years 1982 and 1983. But these burdens will be covered by the somewhat inappropriately named "composition profit" (Vergleichsgeinn)—the DM 1.8bn the creditors have kissed goodbye.

For 1983 moreover, excluding the restructuring costs of DM 1bn, AEG is predicting that it will break even. This recovery reflects in part the closure of loss-making operations, improved trading in some areas, and cost savings from, for example, a drastic reduction in its workforce—which is projected to be down to 85,000 by the end of this year compared with 123,700 at the end of 1981. There is no doubt that in

strict financial terms AEG's position has improved considerably. The cynic might say "So would mine with DM 2.5bn of new money." But bankers add that the company's cash flow is rather better than expected partly as a result of improved trading and the restructuring of its management of accounts owed in some areas—for example, the consumer electronics division, Telefunken. On the other hand the so-called "composition profit" is smaller than originally expected as creditors have exploited what loopholes they could find to reduce their exposure to the composition.

The liquidity will carry them some way into the future was one banker's comment

sharply increased its share in the colour television market, from 6 per cent to 10 per cent, for example.

Olympia, its office equipment division which lost DM 113m on sales of DM 1bn in 1981 suffered higher losses in 1982. AEG said, but claimed these were mainly due to high currency losses in relation to its Mexico operation. AEG now owns only 51 per cent of Olympia and, as with Telefunken, is no longer committed to absorbing any losses the company makes.

AEG can scarcely be unaware, however, of the huge credibility gap it has to bridge after its years of misplaced optimism and missed profits forecasts. It is seriously doubted in some quarters that the company can in one year eliminate its operating loss of DM 980m. Criticism is focused on apparent contradictions in its statements.

Last year, AEG was so desperate to dispose of Telefunken that it tempted Grundig into the role of "white knight." But Grundig has withdrawn its offer to take control of Telefunken with banking support. There are serious doubts as to whether the company is big enough or has a strong enough position in the growth market of video tape recorders through its one-third stake in a joint venture in Berlin, to survive as an independent company as AEG says it can. The same can be said of Olympia which is just trying to break into the electronics-based office equipment market. On top of these question marks is the fact that the bulk of its profitable telecommunications business has now been acquired by Robert Bosch as a result of the composition proceedings.

The approval of the composition will undoubtedly give AEG's customers and suppliers a boost of confidence in the company. Moreover it could well be that the next stage of its rehabilitation will take place in a period of economic upturn and relatively low interest rates. But the financial turnaround brought about by the composition has not transformed overnight a management which has performed badly for years. Even with the immense financial resources that have been pumped into AEG in the past few months it would be a brave man who would predict with confidence that the company has finally turned the corner.

بنك الاتحاد للتجارة والوسطاء المحدود  
UNION BANK OF THE MIDDLE EAST LIMITED

## Balance Sheet at 31st December 1982

	Dh000		Dh000
<b>Share capital and reserves</b>		<b>Assets</b>	
Authorised		Cash and short term funds	900,980
Ordinary shares of Dh5 each	1,000,000	Deposits with banks	118,234
Issued		Advances and other accounts	3,330,319
Ordinary shares of Dh5 each fully paid	291,500		4,349,533
Reserves	153,976		
Shareholders' funds	445,476		
<b>Liabilities</b>			
Current, deposit and other accounts	3,963,848	Investments	68,507
Proposed dividend	43,725	Property, premises and other assets	35,009
	4,453,049		4,453,049
Confirmed credits, acceptances and guarantees on behalf of customers	1,410,844	Liabilities of customers for confirmed credits, acceptances and guarantees	1,410,844
	5,863,893		5,863,893

US \$1.00 = U.A.E. Dh 3.67 approximately

## Extracts from the Chairman's Statement

1982 was a year of steady growth and improved performance with profits rising by 28% to Dh60 million.

Shareholders' funds now stand in excess of Dh445 million making the Bank one of the strongest in the United Arab Emirates.

An exceptional achievement in an unsettled international financial climate.

U.A.E. Head Office:  
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When you're doing business with Turkey, only one bank makes you feel this close.

When you're trading with an increasingly important market, you need the finest bank to look after your interests on the spot.

And when the market is Turkey, that means Interbank: Turkey's leading wholesale bank.

Founded in 1888 as Banque de Salonique, we've specialized since then in import/export finance — now Turkey's fastest-developing economic sector.

Some 1982 examples: Interbank financed 20% of Turkey's oil imports from North Africa.

We recently handled the two largest L/Cs covering transit exports from the UK and West Germany through Turkey to the Middle East.

And we are one of two Turkish banks participating in the largest guarantee facility syndicate for Turkish contractors in Saudi Arabia.

We're strong. We're growing fast. We're highly profitable. And we work mainly with the top 100 companies and government agencies in Turkey.

Our outstanding financial results are a reflection of our high-volume transactions and low overheads.

Interbank's internationally-qualified staff are always available by phone or telex, and are ready to travel at short notice.

When you're doing business with Turkey, Interbank is your natural and best possible banking partner.

Some key Interbank figures as of June 30 1982:

Total Deposits:	TL 30,683,736,000
Total Assets:	TL 47,985,809,000
Shareholders' Equity:	TL 1,801,511,000
Share Capital increased to TL 4,000,000,000 (TL 1,375,000,000 paid up at June 30 1982)	

**INTERBANK**  
THE TURKISH BANK FOR INTERNATIONAL TRADE



# Ferguson launches £5m rights

For the nine months to November 30 FIH made pre-tax profit of £2.89m. The directors now estimate that profit before tax for the year ended February 28 1983 is not less than £3.7m. In the previous year the company made £3.42m.

■ The Law Debenture Corporation		
Investment Trust		
Year to Dec 31	1982	1981
	£	£
Pre-tax revenue . . . .	2.02m	1.64m
Tax . . . . .	803,173	632,031
Dividend . . . . .	4.5p	4p
NAV per share . . . .	121.1p	83.8p

## Fleet anticipates better trading

## Fillip for electronic

### Price of h

## high quality

## Optical

## Second-half boost for Provident Financial

**By John Griffiths**  
A BRITISH managing director has been appointed to run Seddon At-

Johnson, who is returning to IH headquarters in Chicago.

seem likely to grow at rates well in excess of the average industry rate over the next three to five years.

News of the formal bid comes as no surprise to Cope Allman. Mr David Wickins, chairman of British Car Auctions, and informally an

In its official rejection Cope Allman said: "This offer is unlimited

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***Points from the Statement by the Chairman, Jonas af Jochnick***

- ✦ **1984 profit forecast exceeded despite adverse currency effects.**
- ✦ **18% sales growth over 1981 on comparable exchange rates.**
- ✦ **Recommended final dividend of 30¢ per share; total of 50¢ per share for 1982.**
- ✦ **New product range successfully launched.**
- ✦ **Recruitment of sales consultants expanded in 1982.**
- ✦ **Excellent growth prospects in both established and new territories, in Europe, North America and the Far East.**

***'We feel confident that in "The Oriflame Natural Skincare System" we have an outstanding product range with which to compete in the strongest growth segment of the cosmetics market.'***

**Oriflame** Oriflame International SA is the holding company of an international group, principal activity of which is the production and marketing, on a direct sales basis, of its own brand of cosmetics. The principal markets for Oriflame's products are Western Europe and Scandinavia. Sales of Oriflame products have recently commenced in North America and the Far East. The Group also operates a mail order company in Sweden.

**M. J. H. Nightingale & Co. Ltd.**

85	60	Walter Alexander .....	88	—	6.4	3.7	4.7	6
282	214	W. S. Yeates .....	282	—	17.1	6.5	4.1	8

Prices now available on Prestel page 48146.

Laurie, Mil  
Portlan  
72-73 Basin  
London

Bank & Co.,  
and House,  
inghall Street,  
EC2V 5DP

Portland House,  
72-73 Basinghall Street,  
London EC2N 5BB

In Common Stock of US\$0.10 par value

**Laurie, Milbank & Co.,  
Portland House,  
72-73 Basinghall Street,  
London EC2V 5DP**



## UK COMPANY NEWS

### Bairnstow Eves above forecast at £1.2m

RESIDENTIAL estate agency, Bairnstow Eves, which came to the market last year, has exceeded its profit forecast of £1m for 1982 and is confident that the current 12 months will show a substantial increase in profitability.

Compared with £897,000 for the previous year, the taxable surplus amounted to £1.22m for the period ended December 31 last.

Profits at six months were £421,310 and directors predicted substantially higher earnings for the second half.

After tax of £481,000, against £346,000, earnings per 5p share are shown as 6.3p (4.5p) and, as forecast in last May's prospectus, the dividend is 0.82p net for the seven months from May, with a final distribution of 0.7p.

Also proposed is a three for four scrip issue and directors intend to maintain the annual rate of dividend (1.61p) on the increased capital, thereby effectively increasing the annual payment for 1983 by 75 per cent.

Turnover for 1982 advanced from £4.68m to £5.72m and after the tax charge the attributable balance was £705,000 (£251,000) of which dividends will absorb £136,000 (nil).

During 1982, 11 new residential sales offices were opened and since December 31 last further five have been added; the number of group offices is now 46. The additional offices did not contribute to group profits, but the directors expect them to do so in the current year, and more fully from 1984.

Bairnstow completed sales of 8,150 homes, with a total value of £22m.

In the current year the level of sales negotiations indicates that the group is continuing to improve its share of the residential market. It was helped by its strategy of seeking a high volume of sales at the middle and lower end of the market and a centralised administration which reduces overheads.

Clearly, much of its planning depends on whether the forthcoming budget helps house-buyers. The group's strategy is to concentrate acquisitions by region to achieve greater local penetration. It has already added to the 13 offices it acquired in 1982 and plans more, with a possible emphasis on up-market rural business. Analysts forecast a 30 per cent increase in current year profits to £1.75m on the back of expected market growth. The price rose 11p to 112p yesterday, giving a p/e of 25, yielding 2 per cent.

**comment**

Despite an unexciting year for house prices, Bairnstow Eves, Britain's only publicly quoted estate agent, ended 1982 with record profits. It was helped by its strategy of seeking a high volume of sales at the middle and lower end of the market and a centralised administration which reduces overheads.

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### British Vita falls but holds payout

PRE-TAX profits of British Vita, manufacturer of polymeric products, declined to £7.26m for 1982, a shortfall of £587,000 on the figures for the previous year.

The UK and Europe contribution dropped by £868,000 to £1.56m, but the international side showed an improvement from £5.54m to £5.82m.

The group surplus was struck after taking account of adverse effects at the end of the year of devaluations in Zambia, Zimbabwe and Kenya amounting to £600,000 and writing off some £400,000 of UK bad debts, most of which were suffered in the earlier part of the year.

Profitability in the UK and Europe was severely hit by low levels of demand and pressure on margins. However, due mainly to a strengthening of consumer demand in the autumn, especially in the furniture and bedding industries, UK and European profits increased from £288,000 in the first half to £1.5m in the second six months.

Despite a 2.5p contraction in earnings per 25p share to 14p the dividend for 1982 is being maintained at 5.4p net by a same-again final of 2.7p.

Group external turnover rose from £91.57m to £97.2m with both the UK and Europe showing higher returns. Global sales, including that of the associates, exceeded £200m for the first time.

Taxable profits included a slightly higher share from the associates at £3.45m (£3.39m) and were after interest charges much the same at £1.13m (£1.06m).

Tax took £3.51m, compared with £3.47m previously, and after minorities, and extraordinary debits of £501,000 (£596,000), including the costs of further rationalisation in operating units, involving closure and asset transfer, attributable profits emerged at £3.27m, against £3.81m.

The group ended the year in a sound financial position with plans for expansion under active consideration. Overseas expansion will be financed in the main by locally retained earnings.

The directors say that an improvement in consumer demand such as occurred in the last quarter of 1982 would, if sustained, provide conditions in which the group should increase markedly its UK earnings, but add that "whether the upturn continues is largely dependent on the effect of the Budget on the economy".

The European companies are expected to continue to establish larger markets for their products.

Internationally, British Vita will seek to continue its progress by improving and adding to its manufacturing facilities and by the introduction of new products. Opportunities for overseas fibre and fabric processing operations are opening up and these will be based on technology and manufacturing know-how provided from the UK and European activities.

At December 31 1982 assets per share totalled 152p (146p) and average capital employed amounted to £47.5m (£48.4m). The return on capital employed is shown as 18 per cent (20 per cent).

Current cost accounting reduces group pre-tax profits to £5.09m (£5.68m) and earnings per share to 5.6p (8.1p).

The group is principally concerned with the manufacture of cellular foams, synthetic fibre fillings, processed fabrics, rubber and plastic compounds, precision rubber mouldings, adhesives and a range of consumer products.

**comment**

Geographical spread gives British Vita a resilience that has been well demonstrated over the last three years as recession has hit UK activities. Recovery at home reflects a second half pick up in demand permitting some much needed price increases on foam products. Bad debts, a fact of life in the furniture industry, have also shown dramatic improvements: £50,000 in second half, against £250,000 in first. But a key feature of the last few years has been diversification into textiles and marketing products, which is to continue. Good performance overseas is in part attributable to the advantage of many joint ventures with indigenous companies which submit to strict financial controls. Resilience puts some restraint on growth in good times. Even so current good demand at home, benefits from earlier slimming, further success in winning market share, low gearing of 18 per cent, and more increases overseas with weaker sterling, offsetting devaluations in Africa, should put the group on course for well over 28m pre-tax next year around. Better UK profits would also ease the problem of ACT which cannot be offset against foreign taxes, and thus had become a deterrent to dividend growth and investment. Yesterday shares rose 7p to 164p for a yield of 4.8 per cent.

### Refuge Assurance earnings up 15%

By Our Financial Staff

REFUGE Assurance reports a good year for its general insurance operations in 1982 with a near 15 per cent jump in net profits after tax from £3.61m to £4.14m. The total dividend for 1982 is lifted by 15.5 per cent from 11.45p to 13.15p with a final payment of 11.75p.

The company's large Industrial branch lifted its contribution to profit and loss by 18 per cent from £1.95m to £2.3m, while the payment from the ordinary branch rose by a similar proportion from £1.38m to £1.62m. The general branch profit contribution was unchanged at £30,000. The linked-life subsidiary company, Refuge Investments, incurred a loss of £28,000 against a loss of £56,000 in the previous year.

Premium income growth in the life branches last year fell just short of 7 per cent - the growth recorded in the previous year. Premium income in the Industrial branch advanced from £32.1m to £35.8m, and in the Ordinary branch from £23.5m to £25m. Premium income on the linked-life operations declined, however, from £2.04m to £1.42m. Premium income in the Fire and Accident branch also dropped last year from £10.18m to £9.3m.

**comment**

Based in Sweden, listed in England, registered in Luxembourg, and reporting in U.S. dollars. No, it's not a shaggy dog story, but the aptly named Oriflame International. Yesterday the company jumped through the credibility hoop in beating its profits forecast made at the time of last year's offer for sale. Owing to the mighty dollar the company managed to beat its earnings per share forecast by only a tiny 3 cents per share, but in feeble old sterling the forecast was beaten by 20 per cent. Feeble might be too harsh a word for UK performance, but it has clearly been a disappointment, with too high turnover in sales force, and a 5 per cent fall in average attendance at sales parties. However Oriflame must take plaudits in achieving a startling turnaround in its Swedish mail order business, Lagonda, moving from a Kr 21m loss to a Kr 1m profit. Most investment interest should probably be based on a view of the long-term prospects of the move into the U.S. The company clearly does not expect a significant contribution much before 1985-86, and it will be interesting to see whether it succeeds while sticking so resolutely to a non-advertising approach. Yesterday the company traded shares gained 25p to reach an all time high of 865p, where the fully taxed PE on current dollar sterling rate is over 20. However, helped by its Luxembourg registration and a Dublin tax holiday for exports, the actual tax charge is little more than 11 per cent. The shares are crying out for a scrip issue, but apparently it is not feasible under Luxembourg law.

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### Oriflame beats flotation target

THE flotation pre-tax profit forecast of US\$6.75m by Oriflame International has been exceeded despite adverse currency effects, says Mr Jonas at Jochnick, the chairman of this Luxembourg-based cosmetics company.

Mr Jochnick says the company grew throughout 1982 and pre-tax profits came out at \$6.93m (£4.59m) against \$6.75m (£4.59m). He says the growth is best illustrated by comparing sales in 1981: its sales in 1982 adjusted to 1981's exchange rates, thereby reflecting the underlying growth of sales in local currencies. On this basis, group sales grew by 18 per cent.

The actual sales figure was \$36.4m against \$36.36m and operating income improved from \$6.52m to \$6.75m. Selling and administration expenses came to \$20.34m (\$20.59m). Other income and expenses totalled \$373,000 against \$373,000. Associates losses rose from \$86,000 to \$200,000.

After tax of \$779,000 (\$852,000) net profits were from \$4.93m to \$6.15m, giving earnings per share \$1.19 against a forecast of \$1.16.

Mr Jochnick says the company's gross profit margin for the year remained high at 70.5 per cent (70.9 per cent), reflecting its continued success in maintaining tight cost control throughout the product division.

Selling and administrative expenses decreased as a proportion of sales during the year and amounted to 52.9 per cent (53.7 per cent). Major gains were made in the areas of sales management and foreign exchange. With high interest rates prevailing, it was unable to make the maximum use of both existing cash and the proceeds from the flotation.

Despite uncertainties in the foreign exchange market and the adverse effect of the Swedish and Finnish devaluations, he says the company was able to mitigate these effects by structuring its exposures to the trading currencies in which it traded.

The loss from associated companies increased substantially as the company has taken its share of the full year's trading for Oriflame Corporation in the U.S., reflecting start-up costs and restructuring within that company, he says.

A final dividend of 30 cents, as forecast at the time of the flotation, is being paid for a total of 50 cents (21 cents).

Commenting on the group's four autonomous divisions, Mr Jochnick says the Scandinavian sales division made up 42.9 per cent of group sales. The sales in Sweden and Finland were "very encouraging", with growth of 32 per cent and 14 per cent respectively, in local currency, although the impact of this increase was reduced by the devaluations.

The direct sales division, which comprises the established markets where the Oriflame home demonstration concept is used, contributed 50.3 per cent of group sales. The sales in Sweden and Finland were "very encouraging", with growth of 32 per cent and 14 per cent respectively, in local currency, although the impact of this increase was reduced by the devaluations.

The new markets division was active and during the year it converted the product line of Oriflame Corporation in the U.S. It has now commenced operations, selling its European line of cosmetics in three parts of the U.S. - Boston, Los Angeles and Atlanta.

He says the outlook for Oriflame remains good, and he sees a bright future for the company in the future, particularly as it is still a relatively small operator in most of its markets.

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### Refuge Assurance earnings up 15%

By Our Financial Staff

REFUGE Assurance reports a good year for its general insurance operations in 1982 with a near 15 per cent jump in net profits after tax from £3.61m to £4.14m. The total dividend for 1982 is lifted by 15.5 per cent from 11.45p to 13.15p with a final payment of 11.75p.

The company's large Industrial branch lifted its contribution to profit and loss by 18 per cent from £1.95m to £2.3m, while the payment from the ordinary branch rose by a similar proportion from £1.38m to £1.62m. The general branch profit contribution was unchanged at £30,000. The linked-life subsidiary company, Refuge Investments, incurred a loss of £28,000 against a loss of £56,000 in the previous year.

Premium income growth in the life branches last year fell just short of 7 per cent - the growth recorded in the previous year. Premium income in the Industrial branch advanced from £32.1m to £35.8m, and in the Ordinary branch from £23.5m to £25m. Premium income on the linked-life operations declined, however, from £2.04m to £1.42m. Premium income in the Fire and Accident branch also dropped last year from £10.18m to £9.3m.

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## MINING NEWS

## East Dagga and Ergo may pool interests

IT LOOKS AS THOUGH Mr Adolf Lundin, the Swedish businessman who won control of East Daggafontein Mines last year, could be about to turn the veteran South African gold producers' waste dumps to good account.

East Rand Gold and Uranium (Ergo), the Anglo American Corporation's dump reclamation operation, plans four months of tests on dams of its own in the Far East Rand and on material owned by East Dagga.

The East Dagga material comprises three dams, one deposited by the old East Dagga mine itself, one by Daggafontein Mines and one acquired last year from Ergo Consolidated Mines.

The last of these dams has a relatively high gold content and is low in uranium, and would obviously play an important part in any reclamation project.

The tests will assess the viability of pooling the various dams, which would establish a combined reserve of some 450m tonnes of slimes.

This amount of material could support the construction of a carbon-in-leach plant, using a low-grade cyanide solution and short retention times, to recover the gold contained in the material.

Eventually, this might be followed by the erection of a flotation plant to recover any residual gold and, in addition, uranium and sulphuric acid. The timing of the construction of the flotation plant would depend on an upturn in demand for uranium and acid.

The combined capacity of the two plants would be in the region of 1.6m tonnes a month. If the project does go ahead, it is envisaged at present that Ergo and East Dagga would each have a 50 per cent stake.

In a separate development, Ergo proposes to build a carbon-in-leach plant at the present site to treat tailing from its flotation circuits to recover residual gold. This plant, with a capacity of about 1.6m tonnes a month, would cost R63m (£33m).

## Teck and Noranda raise stakes in Hemlo gold

BY KENNETH MARSTON, MINING EDITOR

THE latest news from the Canada's gold exploration rush in the Hemlo area of north-western Ontario is a deal between one of the smaller players, Interlake Development Corporation, and the big Teck and Noranda groups.

Interlake has accepted a joint proposal by Teck and Noranda for the exploration of the Interlake property at Hemlo which is strategically placed with the neighbouring ground of Lac Minerals, Golden Sceptre Resources-Gollish Gold Mines and Teck-International Corona Resources.

Mr Rudi Siebert, chairman of Interlake, said that the Teck-Noranda joint venture will be required to spend C\$6m (£3.23m) on underground exploration and development of his company's property in return for rights to the ground.

The joint venturers will also buy 50,000 treasury shares of Interlake at C\$10 each within the next two weeks. They have further options to purchase 150,000 shares at C\$15 until March 31 1984, and 150,000 shares at C\$20 until March 31 1986.

If it is decided to develop a gold mine, Interlake will receive advance royalties of C\$340,000 a year from the start of production and 40 per cent of net profits annually. It is expected that a decision on whether to go to

production will be taken by March 1987.

Noranda is thus increasing further its interests in the Hemlo area. It originally closed a farm-in deal with the Golden Sceptre-Gollish partnership whereby it can earn a 50 per cent stake in their Molson Lake property. This is set to produce the first milled ore in the area, the Golden Giant, although a claims dispute with Lac Minerals has yet to be settled.

Noranda has also come to another arrangement with the Teck-International Corona partnership whereby Noranda is to put down on their property a shaft which will be used to mine the neighbouring Golden Sceptre-Gollish ground.

## Disposals boost Gopeng profits

SALES OF investments and other assets helped to boost the net profits of Gopeng Consolidated for the year to end September 1982 to £1.1m from £652,000 in the previous 12 months. Earnings per share rose to 33.3p from 15.04p.

The company, which produces tin in Malaysia, said that the likelihood of export controls under the sixth International Tin Agreement continuing for the current year will mean the closure of some production units, once the maximum permissible stock levels have been reached.

Workers from operations which have to be closed will be re-deployed on other essential mine maintenance work. There is unlikely to be any significant improvement in profitability until there is a marked upturn in world commodity prices, Gopeng said.

This upturn, it is hoped, will lead to the relaxation and eventual removal of the export controls. Until that happens, profitability will depend on the production levels set under the quota system.

In the meantime, Gopeng said that it is possible to maintain a satisfactory mining scheme under the present difficult conditions, provided the company plans its operations carefully and remains flexible.

Gopeng has also released production figures for the four companies in the group for the month of February. Output was lower at 1321 tonnes, down from January's 1891 tonnes.

The main reasons for the drop were a shortage of water for processing at the lead company, Gopeng, and a two-week dredge shutdown at Mambang Di-Awan.

In a reversal of the trend established over the first four months of the year, the latest figures show a sharp downturn in the cumulative total for the year so far.

Gopeng has produced a total of 7122 tonnes over the first five months, compared with 7331 tonnes at the same stage of last year.

The latest output figures are

compared in the accompanying table. The big Malaysia Mining Corporation (MMC) group, the largest tin producer in the country, has also released production figures for February.

These show a fall in output for the first eight months of the year to 4,128 tonnes from 5,574 tonnes at the same stage of last year.

Companies directly under the control of the group reduced production to 464 tonnes from January's 557 tonnes, with the biggest fall coming at MMC itself, the leading company, where output fell to 146 tonnes against 230 tonnes.

Other companies under the control of Pemas Charter Management totalled 301 tonnes, down from 911 tonnes.

The latest figures are compared in the accompanying table.

	Feb	Jan	Dec
tonnes tonnes tonnes			
Aokan	114	98	81
Ayer Hiam	14	58	71
Berjuntal	173	210	187
MMC	44	52	54
Sungai Besi	44	44	61
Tongkah Haru	44	45	42
Troboh	36	32	35

## RESULTS AND ACCOUNTS IN BRIEF

**ROSEBUD INVESTMENT TRUST**—Second distribution 3.4p making 7.1p (5.5p) for year to January 31 1983. Income £91,083; expenses £22,381 (£21,083); revenue £68,702 (£68,719) before tax £67,259 (£67,259); net income share 7.05p (5.4p); NAV per 250 capital share 200p (165p) at January 31.

**LAW DEBENTURE CORPORATION** (Investment Trust)—1982 dividend 2.5p (same adjusted for scrip) making 4.5p (4p adjusted) as already announced; net revenue per share 5.3p (4.36p); net revenue after tax £1.22m (£1.01m); gross

revenue £2.88m (£2.43m) including interest £1.2m (£1.01m) and fees as trustees £1.11m (£938,363); administration expenses £739,941 (£685,770); debenture interest £34,750 (same); foreign currency loan interest £85,324 (£84,006); pre-tax profits £2.02m (£1.64m); net assets per share 121.1p (83.8p).

**LONDON SHOP PROPERTY TRUST**—Pre-tax profits for the six months to the end of October 1982 £1.95m (£1.67m); total revenue £2.1m (£2.57m) including property revenue £2.78m (£2.38m); net interest payable £1.15m

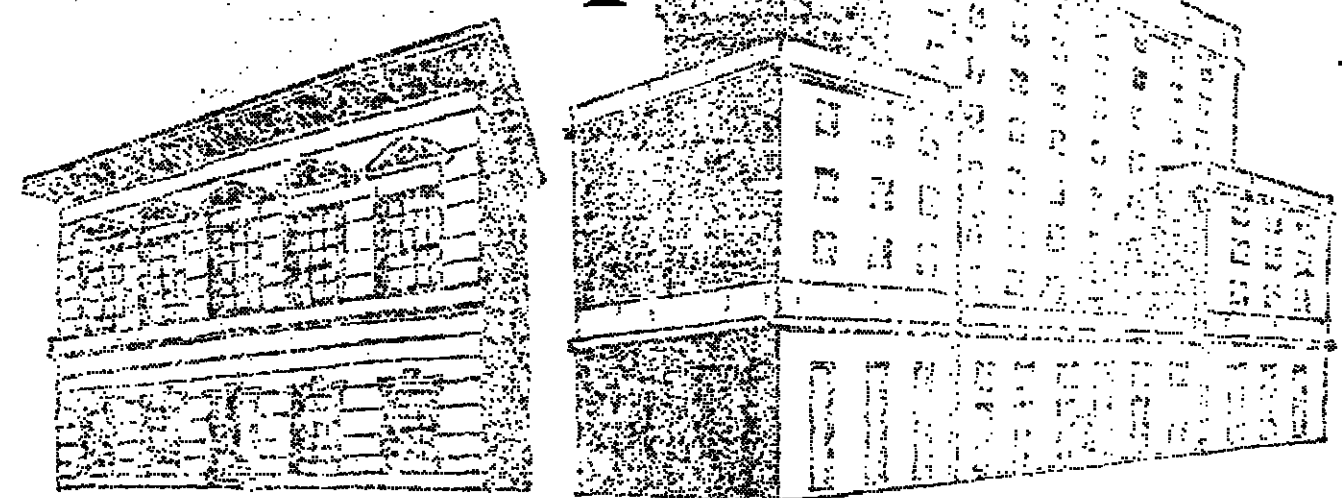
(£986,000); basic earnings per 250 share 1.54p (1.2p); tax £755,000 (£640,000). **DAVIES AND METCALFE** (engineers)—Final dividend 1.54p (1.4p) making 2.11p (1.97p) for 1982. Pre-tax profit £1,010,854 (£985,772); net profit £674,864 (£736,804).

**UNITED INTERNATIONAL HOLDINGS** (property investment and farming)—Results for 1982: Turnover £282,000 (£282,000); net income £285,000 (£165,000); including £277,000 (£285,000) profit on investment sale; tax £93,000 (£75,000); earnings per

share 1.84p (1.2p) and 1.51p (1.11p) fully diluted; dividend 0.07p (0.05p) net. The property portfolio rose from £1.4m to £4.4m reflecting a number of acquisitions during the year. As at December 12 last, total income had risen to £356,000 per annum and provides the company with a secure foundation for growth, directors state.

**LONDON & STRATHCLYDE**—Net interim dividend 0.8p (0.8p) on account of the year to the end of August 1982. Full details of results for the six months to the end of February will be circulated shortly in an interim report.

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## EAST DAGGAFONTEIN MINES, LIMITED

(Incorporated in the Republic of South Africa)

Directors: A. H. Lundin (Chairman), E. W. Bazinet, J. M. R. Berardo, J. H. Craig, P. R. A. Ferguson, L. Klingmann, O. S. Redfern, C. I. Von Christerson, K. C. Whyte.

Alternate Directors: C. P. Briggs, C. E. Dixon, D. M. Grant-Hodge.

## COMPANY ANNOUNCEMENT

1. In the Circular to Shareholders dated 1st October 1982 reference was made to a feasibility study commissioned by the Company to determine the viability of treating the Company's slimes dams situated on the Farm Daggafontein 125 IR. This feasibility study has now been completed. The results reveal that a recovery in excess of 50 per cent is achievable in a plant designed to treat 500,000 tons of slimes a month for the recovery of gold only by direct cyanidation and carbon-in-pulp (carbon-in-leach). The financial studies undertaken indicate that the project is viable at current gold prices, with an overall project break-even gold price of less than \$300/oz.

2. The Company has had preliminary discussions with East Rand Gold and Uranium Company Limited (ERGO) which Company, without any commitment, has indicated that it is interested in investigating the possibility of pooling certain of its slimes dams including the existing tailings dam resulting from its current slimes treatment operation, with this Company's slimes reserves situated on the Farm Daggafontein 125 IR. The object of the proposal to pool these resources would be the establishment of a combined reserve of approximately 450 million tons of slimes initially to support the erection of a carbon-in-leach (CIL) plant, to be followed at a later date by a flotation plant of approximate equal capacity, with an eventual total combined treatment capacity of both plants of approximately 1.6 million tons a month. The CIL plant would only recover gold whereas the flotation plant would involve the production of gold, uranium and sulphuric acid. The viability and the timing of the erection of the flotation plant would depend upon the ability to market the uranium and acid at acceptable prices.

It has been agreed that ERGO will conduct test work over the next four months on East Daggafontein's and its own slimes dams to assess the overall viability of the scheme. Preliminary theoretical exercises have indicated that this Company's participation in the proposed project would be approximately 50 per cent. However, the extent of each Company's participation in the proposed project will be finally determined when the studies have been completed and the viability established.

In view of the potential importance of this development to East Daggafontein, your Board of Directors has decided to postpone any decision on the erection of the plant referred to in Paragraph 1 hereof and to grant ERGO the investigation period it has requested. Shareholders will be kept informed of developments and are advised to act cautiously in any share dealings prior to finalization of the manner in which the Company's slimes reserves are to be exploited. Copies of the announcement are being posted to all members of the Company.

On behalf of the Board  
A. H. LUNDIN  
Chairman  
C. I. VON CHRISTERSON  
Director

8th March 1983

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## COMPANY ANNOUNCEMENT

## EAST RAND GOLD AND URANIUM LIMITED (ERGO)

(Incorporated in the Republic of South Africa)

(a) PROPOSED NEW CARBON-IN-LEACH PLANT  
(b) DISCUSSIONS WITH EAST DAGGAFONTEIN MINES LIMITED CONCERNING PROPOSALS FOR THE TREATMENT OF CERTAIN SLIMES DAMS ON THE FAR EAST RAND

Members have been informed from time to time, through the medium of the annual reports, of the continuing research and development work undertaken with a view to improving both gold and uranium recoveries from the company's slimes treatment operations. Ergo was commissioned in 1978 and optimal recoveries of gold, uranium and sulphur from the existing flotation process were achieved by 1980. Since then development work has been directed towards improving the gold recovery. A two year pilot plant programme has confirmed that a carbon-in-leach (CIL) process, using low cyanide additions and short retention times is viable. The initial proposal for the erection of such a plant at the Ergo site to treat some 1.6 million tons a month of flotation tailings currently arising is to be submitted to the board of directors in April this year. The present estimate of the capital cost of such a plant is R63 million.

Part of the original programme for treatment of Ergo's slimes dams envisaged the erection of a separate plant on the Far East Rand to treat the dams in that area, none of which were scheduled to be treated in Ergo's main treatment plant. As these dams are relatively rich in uranium and sulphur, Ergo deferred their exploitation until the uranium market improved.

Recently, East Daggafontein Mines Limited (East Dagga) has informed Ergo that they are considering the erection of a 500,000 tons a month plant to treat their slimes reserves for the recovery of gold. East Dagga's reserves on the Far East Rand are three slimes dams deposited by it and Daggafontein Mines Limited and one they acquired from Ergo Consolidated Mines Limited in mid-1982. The latter slimes dam, which has a relatively high gold content but low uranium and sulphur content, would play an important part in any slimes treatment project.

It has been suggested that a joint undertaking, involving the pooling of certain slimes reserves, might be of benefit to both companies.

Attention of members of Ergo is directed to the announcement published by East Dagga relating to the preliminary discussions that have taken place between the two companies. Ergo, without any commitment, has indicated that it is interested in investigating the possibility of processing the pooled slimes dams and also the slimes contained in the existing Ergo tailings dam.

Because the Ergo dams being considered for the pooling arrangement were not scheduled to be treated through the existing Ergo plant the proposed scheme will not shorten the life of the current operation.

The result of the pooling arrangement would be the establishment of a combined reserve of approximately 450 million tons of slimes initially which would support the erection of a CIL plant and at a later date a flotation plant, both for the joint undertaking. Each of these plants would have a capacity of approximately 500,000 tons of slime a month. The CIL plant would only recover gold whereas the flotation plant would involve the production of gold, uranium and sulphuric acid. The viability and the timing of the erection of the flotation plant would depend upon the ability to market the uranium and acid at acceptable prices.

It has been agreed that Ergo will conduct testwork over the next four months on its own and East Dagga's slimes dams, in order to assess the overall viability of the scheme. Preliminary theoretical exercises have indicated that this company's participation in the proposed project would be approximately 50 per cent. However, the extent of each company's participation will be finally determined when the studies have been completed and the viability established.

Members are advised to act with caution in regard to dealings in the company's shares which might be prompted by the aforesaid proposals under consideration. In due course a formal announcement will be published advising members of the decision reached by the board of directors as to whether or not Ergo will proceed with such a scheme with East Dagga. Copies of this announcement are being posted to all members of the company.

Johannesburg  
March 9 1983





[illegible]

## TRADED OPTIONS

[illegible]

# LONDON TRADED OPTIONS

Option		CALLS			PUTS		
		April	July	Oct.	April	July	Oct.
BP /USP 519.	260	56	-	-	5	-	-
" " "	280	56	-	-	8	-	-
" " "	300	80	20	40	8	-	-
" " "	310	8	4	22	16	28	28
" " "	360	2	6	-	68	96	44
CGF /USP 498.	390	110	88	-	2	4	-
" " "	430	80	68	-	17	12	-
" " "	450	47	68	78	57	37	32
" " "	460	25	40	47	87	57	52
" " "	550	12	22	22	84	67	80
" " "	600	5	10	17	114	117	122
CTD /USP 52.	70	23	18	97	18	2	5 1/2
" " "	90	14	7	19	2	4	8
" " "	120	7	9	11	6	8	9
CUA /USP 131.	120	14	16	-	5	6 1/2	-
" " "	130	1	3	10	3	18	21
" " "	140	2 1/2	5	5	36	37	39
" " "	160	-	-	-	-	-	-
DEC /USP 206.	180	34	40	50	3	3	8
" " "	197	18	-	-	-	-	-
" " "	200	22	62	3	-	-	-
" " "	217	7	22	17	12	18	-
" " "	220	-	5	23	-	-	-
" " "	237	5	-	-	66	84	82
" " "	240	-	6	-	89	-	-
" " "	260	1	4	-	56	-	-
GMH /USP 356.	240	2	-	-	1	-	-
" " "	260	98	-	-	1	-	-
" " "	280	78	95	-	2	-	-
" " "	300	58	61	46	8	-	-
" " "	310	12	61	19	37	19	21
" " "	360	4	14	19	89	29	41
ICI /USP 286.	280	130	-	-	8	-	-
" " "	300	2	-	-	2	-	-
" " "	310	90	98	-	8	-	-
" " "	350	36	44	34	10	14	-
" " "	380	14	26	34	20	18	20
" " "	420	13	20	18	56	60	48
LS /USP 520.	240	2	-	-	8	3	10
" " "	260	68	67	74	1	-	-
" " "	280	68	48	59	6	9	12
" " "	300	23	20	23	15	8	7
" " "	350	8	18	23	31	21	24
M & S /USP 303.	160	47	33	58	2	5	-
" " "	180	27	22	28	7	12	17
" " "	200	14	16	20	12	14	22
" " "	220	2	10	38	42	28	-
" " "	240	2	2	-	-	-	-

Option		CALLS			PUTS		
		Apr.	Jul.	Oct.	Apr.	Jul.	Oct.
SHL /USP 426.	360	70	48	50	8	10	16
" " "	380	60	46	50	8	25	35
" " "	420	16	26	16	30	35	35
" " "	460	16	10	16	30	35	35
Option		CALLS			PUTS		
		May	Aug.	Nov.	May	Aug.	Nov.
SBL /USP 503.	360	150	150	2	1	2	-
" " "	380	117	120	2	1	2	-
" " "	430	47	50	98	50	10	17
" " "	460	47	50	98	50	14	28
" " "	500	20	28	27	88	20	27
IMP /USP 116.	80	99	-	-	-	-	-
" " "	100	18	16	1	-	-	-
" " "	110	12	15	1	-	-	-
" " "	120	7	9	5 1/2	14	8	9
" " "	130	-	-	-	16	17	17
LMO /USP 234.	280	37	45	58	9	16	15
" " "	240	37	37	42	22	37	37
" " "	260	16	37	42	30	48	48
" " "	280	10	38	42	30	37	37
" " "	300	5	38	42	50	41	41
" " "	320	2	38	42	70	75	75
" " "	350	2	3	-	100	100	100
" " "	380	2	-	-	150	-	-
" " "	390	2	-	-	160	-	-
LNR /USP 65.	80	10	18	13	3	5 1/2	5 1/2
" " "	100	4	6 1/2	13	3	5 1/2	5 1/2
" " "	120	1 1/2	8 1/2	8 1/2	11	14	14
P & O /USP 136.	100	28	41	17	3	11	11
" " "	110	38	41	1	-	30	37
" " "	120	58	41	-	-	8	8
" " "	130	20	32	2	-	2	2
" " "	140	11	25	19	2 1/2	5	10
" " "	150	11	15	19	1	4	10
" " "	160	1 1/2	9	16	10	16	19
Option		CALLS			PUTS		
		May	Aug.	Nov.	May	Aug.	Nov.
ROL /USP 469.	420	60	70	80	8	8	8
" " "	440	22	42	55	16	50	57
" " "	460	12	32	55	16	50	57
" " "	500	5	21	43	58	66	66
" " "	600	2	6	-	90	90	90
" " "	650	2	-	-	135	140	140
RTZ /USP 517.	280	187	-	-	185	-	-
" " "	420	107	110	77	1	9	-
" " "	460	42	77	9	2	-	-
" " "	500	17	28	29	3	-	-
Option		CALLS			PUTS		
		May	Aug.	Nov.	May	Aug.	Nov.
VRF /USP 510.	50	70	-	-	-	-	-
" " "	80	2	-	-	-	-	-
" " "	100	18 1/2	31	21	1	-	-
" " "	120	10 1/2	30	18	5 1/2	15 1/2	15 1/2
" " "	140	7 1/2	30	18	13	18	18
" " "	160	2 1/2	30	18	20	20	20
" " "	180	2 1/2	30	18	21 1/2	21 1/2	21 1/2
" " "	200	2 1/2	30	18	21 1/2	21 1/2	21 1/2
" " "	220	2 1/2	30	18	21 1/2	21 1/2	21 1/2
" " "	240	2 1/2	30	18	21 1/2	21 1/2	21 1/2

Mar. 8 Total Contracts 1,601

Call 1,498

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# SECTION III - INTERNATIONAL MARKETS

## FINANCIAL TIMES

Wednesday March 9 1983

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### WALL STREET

## Tribulations of funding the Treasury

MAJOR institutional investors assessing the prospects for Treasury funding for this month prompted a further decline on U.S. credit markets yesterday. Share prices on Wall Street also continued to lose ground as developments were awaited at the meeting in London of Opec ministers, writes Terry Byland in New York.

The Dow Jones industrial average slipped back a further 14.03 to 1127.71 2pm in active trading. It dropped sharply to close at 1119.78 down 21.96.

A further rise in the Federal funds rate to 8.75 per cent at the opening depressed the credit markets, already nervous ahead of a batch of Treasury note issues due next week. Terms are expected to be disclosed today for an issue of two-year notes, the first tranche of a funding programme for the month which has been put as high as \$22bn by some forecasters.

The increase in Fed funds, which have risen from 8% per cent since Friday, was greater than the market was expecting. It will increase the cost to the market of carrying the weight of any Treasury

funding, as well as contributing to depress prices in the bond market.

In addition to the prospect of funding by the Treasury, the markets are expecting U.S. industry to seek short-term funds as the economic recovery gathers pace and inventories are rebuilt.

The rates on three-month Treasury bills moved higher in the wake of this week's bill auction. By midsession, the three-month rate stood at 8.22 per cent and the six-month at 8.205 per cent. Quotations were unaffected by a \$1.8bn customer repurchase by the Fed.

A statement from Mr Paul Volcker, the Federal Reserve chairman, that reduced inflation remains a key target, proved little help in the market, where it was read as indicating that the Fed may not continue to be a ready supplier of funds.

Trading was restrained at the longer end where the Treasury long bond, the 10% per cent of 2012 opened 1% lower at 97 7/8 and made no recovery.

In the equity sector, prices continued to succumb to profit-taking but underlying confidence remained sound.

Eastern Airlines shaded lower to 89% after reporting losses for the past two months. Shares in Alexander and Alexander lost 3% to \$23 1/2 after the company disclosed a loss for the final quarter of last year.

Small falls were widely scattered among industrials, with IBM lower at \$102 1/2, General Electric an early \$1 1/2 off at \$106 1/2 and Exxon 3/4 off at \$30 1/2.

Johnson and Johnson, still unsettled by a write-off on the Zomax painkilling drug, slipped a further 3/4 to \$45 1/2 at one

stage. But a bright feature was Chock Full O'Nuts, \$1 1/4 up at \$18 on bid hopes.

The weakness of the credit markets was reflected in falls in banking issues.

Forestry stocks provided the main bright spot in Toronto after the U.S. Commerce Department ruled that no significant subsidies existed on Canadian lumber imports into the U.S. But weakness in the mining sector, particularly gold, held the market down. Paper and printing issues similarly supplied buoyancy to an otherwise dull Montreal.

## LONDON Gulf of uncertainty emerges

THE INABILITY of the Gulf states to agree a new price structure and production quotas tended to dampen investment enthusiasm in London equity markets yesterday. The prospect of further uncertainty prompted a cautious attitude on the part of potential investors.

The UK miners' strike ballot over pit closures was also a restraining influence, but the underlying tone of equities remained firm. Leading shares rarely strayed far from overnight levels, while one or two sectors again showed marked strength. Banks continued to respond impressively to Barclays' better than expected preliminary results.

Barclays firmed 10p more for a two-day rise of 35p at 505p. Midland, which will report annual figures tomorrow, ended 15p better at 375p. Lloyds jumped 25p to 505p and NatWest 20p to 570p.

Lloyd's of London brokers gave ground on profit-taking. Minet, recently the subject of U.S. bid speculation, softened a penny to 122p and Sedgwick 4p to 214p.

The FT industrial ordinary index closed 1.5 off at 684.6.

Gilt-edged securities moved lower as the market became nervous again about sterling as it fell against most leading currencies. Favourable mid-February banking statistics, particularly the minimal increase in money growth, failed to have any lasting impact and quotations settled at the day's lowest.

At the longer end of the market, where interest has centred in the last week or so, high-coupon issues closed with falls of 1/4 which were extended in after-hours trade to a full point. Losses among the shorts ranged to 1/2.

Conditions in oils became sensitive, chipping 6p from BP at 312p and a couple of pence from Shell to 426p ahead of its preliminary results due tomorrow. Lasso, also reporting tomorrow, shed 10p to 230p on suggestions of a rights issue.

The 10 per cent devaluation of the Australian dollar and the subsequent surge in markets there had little impact.

London-domiciled financials were highlighted by persistent demand for Rio Tinto-Zinc, which moved up 10p to 522p after a much steadier performance by copper prices on the London Metal Exchange. Gold Fields eased 4p to 493p in advance of interim results today.

Gold failed to attract any follow-through buying interest. Heavyweights were highlighted by Southvaal, Vaal Reefs and Winkelhaak, down about 1 1/4 apiece at £38 1/2, £37 and £25 1/2 respectively. Share information service, Pages 32-33.

### FAR EAST

## Caution remains the watchword

CAUTION over the continuing Opec oil talks in London, combined with a high level of margin buying, resulted in easier stock prices in Tokyo yesterday. The yen's decline against the dollar and selling of blue chips also weighed the market down.

The Nikkei-Dow Jones market average shed 14.17 to end at 8,028.99, on volume of 210m shares, while the Tokyo SE index dipped 0.75 to 591.72.

Drugs and other biotechnology issues eased, with the troubled Meiji Seika - the confectionary concern with pharmaceutical interests - falling a further Y3 to Y537. The Ministry of Health and Welfare has announced an investigation into alleged falsification of clinical test data relating to the company's new digestive drug.

Gold-related mines finished higher in line with the bullion price, with Mitsui Mining and Smelting up Y19 to Y592 and Sumitomo Metal Mining Y40 higher at Y1,420. Videotape recorder manufacturers firmed, led by Victor Japan, which rose Y80 to Y2,230, but Sony declined Y30 to Y3,390. Oils fell with Maruzen Oil down Y12 to Y354.

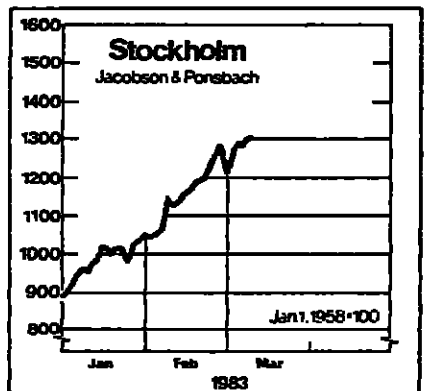
Nippon Steel fell Y3 to Y157, Toshiba was down Y4 at Y322 and Mitsubishi Heavy Industries declined Y2 to Y217.

Prices traded within a narrow range in Hong Kong, closing mixed to better in light trading conditions. The Hang Seng index rose slightly after the first hour before moving down by midsession and ending fractionally higher at 1,014.84, up 0.99.

The subdued tone reflected caution about the Hong Kong and Shanghai Banking Corporation's results, which were made public after the market had closed. The bank's results were viewed as an indication of how other companies had performed during the past year. In the event, the bank reported an 11.4 per cent increase in net earnings in 1982 to

HK\$2,357bn (U.S.\$356m) - slightly lower than some expectations.

Singapore also saw share prices close narrowly mixed, in this case on speculative buying support and profit-taking in active selective trading. The Straits Times industrial index rose 0.58 to 839.02.



### EUROPE

## Election euphoria lingers

EARLY trading in Frankfurt yesterday took share prices back from the record levels achieved in the post-election euphoria of Monday. After the bout of profit-taking, however, values climbed again steadily and most closed at their high for the day.

Recent foreign interest in West German equities continued and in electrical Siemens, a favourite of foreign investors, managed to gain DM 2.30 from Monday's close to finish at DM 292.80 for a rise of DM 4.30 on the day.

In chemicals Hoechst recovered from an opening DM 132 to end at DM 133.80, up 70 pfennig on the day, while Schering, which announced a dividend unchanged at DM 10.50 for 1982, shed DM 4 to DM 329.

Banks were generally lower, Deutsche fell back DM 2 to DM 288, Commerzbank was DM 1.70 down at DM 146.80 and Dresdner shed 70 pf to DM 158.80.

Bayernverein went against the trend, adding DM 1.50 at DM 316.

The domestic bond market closed mixed to little changed as dealers waited for a tender acceptance announcement from the Bundesbank on four-year government notes at 6.75 per cent. The central bank later accepted DM 770.8m worth of tenders at a price of 99.2 per cent, for a yield of 6.99 per cent.

Profit-taking was also in evidence in Paris and share prices closed mixed. Banks were steady with Bancaire rising FFr 4 from Monday's close to end at FFr 297. Other financials, however, were generally weaker.

Amsterdam saw a quiet day, after recent hectic activity, with share prices mixed to lower. Among international Unilever rose Fl 2.80 to Fl 204.80 but Akzo lost Fl 1.10 to Fl 53.20. Banks were lower with ABN down Fl 4 at Fl 357 and NMB Fl 3.50 lower at Fl 136.50. Amro also fell, Fl 1.80 to Fl 52.20.

Dutch bonds were unchanged in very quiet trading, with most dealers expecting the Finance Ministry to announce a new government issue today.

In Brussels stocks did not react to the surprise discount rate increase of 2.5 points to 14 per cent by the Belgian Central bank. Shares closed steady after an active session but a downward trend is expected today.

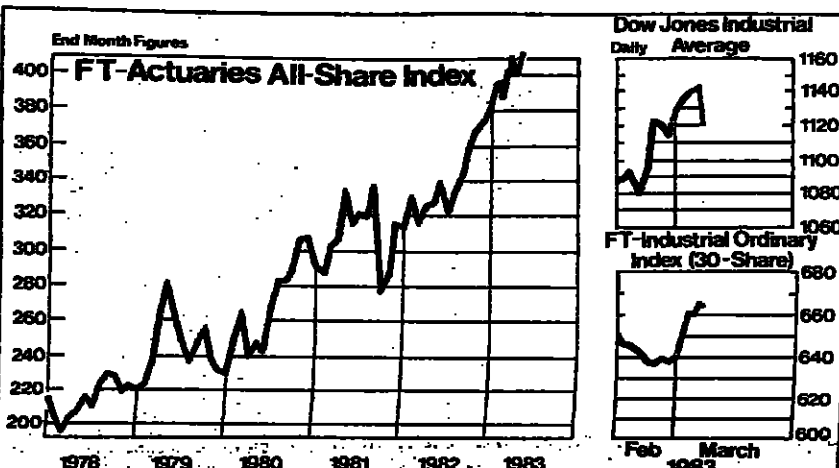
The day's rally was led by oils with Sidro gaining a further BFr 20 to BFr 1,290, Cometa BFr 15 to BFr 1,795 and Petrofina BFr 5 to BFr 4,655. Elsewhere, Kredietbank rose BFr 100 to BFr 5,000.

A downward drift in Zurich resulted from selling by both foreign and domestic investors as a stronger dollar and rising Eurofranc rates depressed the market. Baer Holding shed SwFr 25 to SwFr 5250 following Monday's news that Union Bank of Switzerland had bought a 7.4 per cent stake in the company.

Firmness predominated after a day of heavy trading in Stockholm but in engineering, Alfa-Laval fell SKr 10 to SKr 410 and in minings Boliden declined SKr 5 to SKr 350. In motors Saab Scania ended SKr 4 down at SKr 314. Volvo added SKr 5 to end at SKr 410.

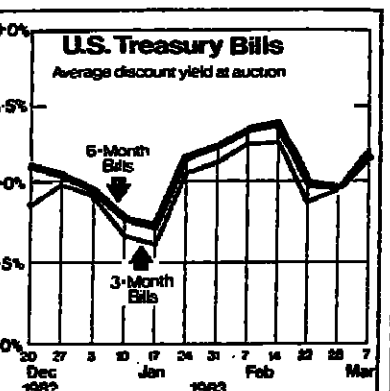
A mixed result emerged in moderate Milan trading with losses on profit-taking outnumbering gains on fresh support buying. But in Madrid, stock prices rose actively and the bourse index closed 2.15 up at 108.39 - the year's highest level.

### KEY MARKET MONITORS



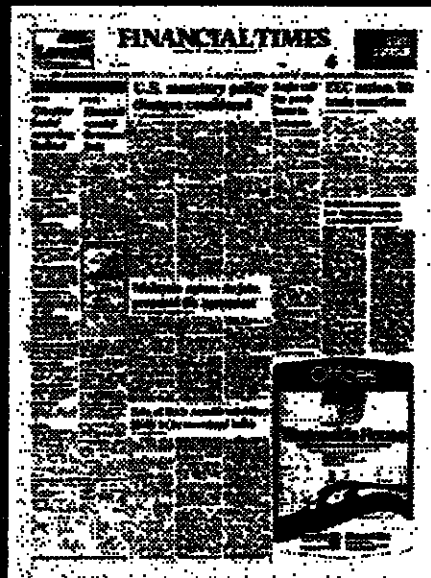
STOCK MARKET INDICES				
NEW YORK				
	March 8	Previous	Year ago	
DJ Industrials	1119.78	1141.74	795.47	
DJ Transport	504.92*	508.10	314.36	
DJ Utilities	128.74*	129.34	107.47	
S&P Composite	152.13*	153.67	107.34	
LONDON				
	March 8	Prev	Year ago	
FT Ind Ord	684.6	686.1	590.8	
FT-A All-share	413.47	413.75	322.71	
FT-A 500	447.67	447.97	342.53	
FT-A Ind	422.64	422.85	316.46	
FT Gold mines	583.4	589.8	208.2	
FT Govt secc	90.39	90.76	68.08	
TOKYO				
	March 8	Prev	Year ago	
Nikkei-Dow	8028.99	8041.16	7248.47	
Tokyo SE	591.72	592.47	541.85	
AUSTRALIA				
	March 8	Prev	Year ago	
All Ord	527.1	513.4	466.5	
Metals & Mins	493.4	470.5	334.5	
AUSTRIA				
	March 8	Prev	Year ago	
Credit Aktien	51.15	50.47	54.09	
BELGIUM				
	March 8	Prev	Year ago	
Belgian SE	109.25	108.97	93.95	
CANADA				
	March 8	Prev	Year ago	
Toronto Composite	2160.8*	2170.00	1567.4	
Montreal Industrials	368.96*	368.16	278.82	
Combined	358.50*	360.00	266.19	
DENMARK				
	March 8	Prev	Year ago	
Copenhagen SE	122.41	123.15	96.98	
FRANCE				
	March 8	Prev	Year ago	
CAC Gen	109.1	108.8	105.1	
Ind. Tandance	113.5	113.7	116.1	
WEST GERMANY				
	March 8	Prev	Year ago	
FAZ Aktien	279.94	282.32	233.8	
Commerzbank	837.2	844.9	710.5	
HONG KONG				
	March 8	Prev	Year ago	
Hang Seng	1014.84	1013.85	1125.36	
ITALY				
	March 8	Prev	Year ago	
Banca Comini	205.51	207.24	204.55	
NETHERLANDS				
	March 8	Prev	Year ago	
ANP-CBS Gen	117.0	117.5	96.1	
ANP-CBS Ind	102.2	102.9	99.5	
NORWAY				
	March 8	Prev	Year ago	
Osto SE	149.50	150.07	105.42	
SINGAPORE				
	March 8	Prev	Year ago	
Straits Times	839.02	838.46	697.74	
SOUTH AFRICA				
	March 8	Prev	Year ago	
Gold Industrial	N/A	807.2	419.8	
Swiss Bank Ind	311.3	314.4	248.7	
SPAIN				
	March 8	Prev	Year ago	
Madrid SE	108.39	106.24	127.45	
SWEDEN				
	March 8	Prev	Year ago	
J & P	1302.06	1299.34	616.02	
SWITZERLAND				
	March 8	Prev	Year ago	
London	\$421.50	\$421.50	\$421.50	
Frankfurt	\$418.25	\$420.25	\$418.25	
Zurich	\$418.50	\$419.50	\$418.50	
Paris	\$430.09	\$427.77	\$430.09	
New York futures (March)	\$422.20	\$427.00	\$422.20	

CURRENCIES				
U.S. DOLLAR				
	March 8	Previous	March 8	Previous
£	1.5005	1.5175	3.60	3.63
DM	2.4015	2.3910	3.60	3.58
Yen	236.30	236	357 1/2	358 1/2
FFr	6.5275	6.5270	10.24	10.36
SwFr	2.0590	2.0450	3.09	3.10
Goldfr	2.9625	2.9390	3.99	4.00
Lira	1422	1414	2131	2145
BFr	47.39	47.06	71.15	71.45
CS	1.2245	1.2225	1.8370	1.8555
INTEREST RATES				
Euro-currencies (three month offered rate)				
	March 8	Prev		Prev
£	11 1/8	11 1/8		
DM	3 1/2	3 1/2		
SwFr	5 1/2	5 1/2		
FFr	4 1/2	4 1/2		
FT London Interbank fixing (offered rate)				
	March 8	Prev		Prev
3-month U.S.	9 1/8	8 3/4		
6-month U.S.	9 1/8	8 3/4		
U.S. Fed Funds	8 1/2	8 1/2		
U.S. 3-month CDs	8 1/2	8 1/2		
U.S. 3-month T-bills	8 1/2	8 1/2		
FINANCIAL FUTURES				
	Latest	High	Low	Prev
CHICAGO				
U.S. Treasury Bonds (CBT)				
8% 100,000 \$2nds of 100%	75-22	75-13	75-16	75-08
U.S. Treasury Bills (TBM)				
\$1m points of 100%	91.73	91.88	91.57	91.87
3-month (TBM)	91.06	91.29	91.00	91.27
LONDON				
Three-month Eurodollar	90.92	90.97	90.80	91.02
\$1m points of 100%				
20-year National Gilt	103-13	103-26	103-10	103-26
Three-month Sterling Deposit	89.77	89.90	89.78	89.95
\$250,000 points of 100%				
LONDON COMMODITY MARKETS				
	March 8	Prev		Prev
Silver (spot fixing)	702.8p	691.60p		
Copper (cash)	£1054.00	£1046.00		
Coffee (March)	£1662.50	£1668.50		
Oil (spot Arabian light)	\$28.32	\$28.32		



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